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8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**

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CHARLES BUFFIN, an individual;
MAXWELL LEVINE, an individual;
STEVEN LEVINE, an individual

Plaintiffs,

v.

COMMUNITY.COM, INC., a
Delaware corporation; MATTHEW
PELTIER, an individual; and DOES 1
through 10,

Defendants.

CASE NO.

COMPLAINT FOR

- (1) BREACH OF FIDUCIARY DUTY**
- (2) FRAUDULENT MISREPRESENTATION**
- (3) INTENTIONAL CONCEALMENT**
- (4) FEDERAL SECURITIES VIOLATIONS**
- (5) CALIFORNIA SECURITIES VIOLATIONS**
- (6) NEGLIGENT MISREPRESENTATION**
- (7) BREACH OF CONTRACT**
- (8) CONVERSION**
- (9) VIOLATION OF CALIFORNIA PENAL CODE § 496(C)**
- (10) DECLARATORY RELIEF**
- (11) FINANCIAL ELDER ABUSE**

[DEMAND FOR JURY TRIAL]

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1 Plaintiffs Charles Buffin (“Buffin”), Maxwell Levine (“Max Levine”), and
2 Steven Levine (“Steven Levine”) (collectively, “Plaintiffs”) allege in their
3 Complaint against Defendants Community.com, Inc. (“Community” or the
4 “Company”), Matthew Peltier (“Peltier”), and Does 1-10, inclusive (collectively,
5 “Defendants”), as follows:

6 **NATURE OF THE ACTION**

7 1. Community is a technology start-up that utilizes an app that permits its
8 clients—including actors, musicians, athletes, and social media influencers—to
9 communicate directly with their fans or followers through SMS text messaging. Its
10 stated purpose is to allow more meaningful dialogue between the celebrities and
11 their “community” in a world dominated by a flurry of social media apps that can
12 make fans feel invisible or disengaged. Community’s clients include, but are not
13 limited to, Ashton Kutcher, Jennifer Lopez, John Legend, Paul McCartney, Amy
14 Schumer, Marshmello, Kerry Washington, Sean “Diddy” Combs, Mark Cuban,
15 Sophie Bush, and Ellen DeGeneres.

16 2. The Company has raised tens of millions of dollars in financing from
17 the likes of Ashton Kutcher and Guy Oseary. The Company is believed to be
18 currently raising money at a valuation of approximately \$450 million.

19 3. Buffin and Max Levine founded the Company in or about 2013.
20 Originally, the Company was aimed at providing a platform for social media
21 influencers to directly communicate and build personalized “tribes” or groups with
22 their followers.

23 4. Buffin and Max Levine both had business backgrounds and wanted to
24 find someone with product expertise to help them build the Company. Max Levine
25 met Peltier in late 2013 and introduced him to Buffin. Peltier appeared smart and
26 had the technical expertise they were looking for. Peltier soon thereafter joined the
27 Company. In mid-2014, Buffin and Max Levine decided that it was in the best
28 interest of the Company for Peltier to take over as CEO.

1 5. The Company’s first investor was Max Levine’s father, Plaintiff Steven
2 Levine. Steven Levine invested \$50,000 in Community when it was little more than
3 an idea. Peltier agreed to provide Steven Levine a 2.5% equity stake in the
4 Company in return for this investment.

5 6. The Company struggled to onboard users and produce significant
6 revenue. In or about the summer of 2017, Max Levine and Buffin left the Company
7 to pursue other opportunities. Peltier continued as CEO of the Company, directing
8 its day-to-day operations. Max Levine and Buffin each retained 750,000 shares of
9 the Company upon their departure.

10 7. Thereafter, Max Levine and Buffin relied on Peltier to keep them
11 apprised of how the Company was doing. In mid-2018, Peltier began to consistently
12 communicate to Buffin and Max Levine that the Company was on the brink of
13 failure and that the value of their shares was “whatever.” Peltier told Buffin and
14 Max Levine that the Company was burning \$40,000 a month and only had \$70,000
15 left in the bank.

16 8. In mid-2018, Peltier reached out to Buffin and Max Levine and began
17 to float the idea of repurchasing their shares. Peltier continued to put pressure on
18 Buffin and Max Levine to sell and reinforced the idea that the Company was
19 drowning and that their shares had no value.

20 9. On October 29, 2018, Peltier gave Buffin and Max Levine an
21 ultimatum: either the Company would go bankrupt and Buffin and Max Levine
22 would lose their entire investment in the Company; or Buffin and Max Levine could
23 sell their shares back to the Company for approximately \$20,000, which would save
24 the Company from insolvency and at least guarantee them some cash for their
25 investment.

26 10. Peltier expressed that this deal would be great for them because the
27 shares of the Company were worthless. Indeed, Peltier told Buffin the stock was
28 worth a penny a share. Peltier led Buffin and Max Levine to believe he was only

1 offering to buy their shares to do right by them. Peltier coyly alluded to having two
2 new founders coming on board during these conversations who would try to turn
3 around this supposedly failing company but refused to disclose any further
4 information. Even after Buffin explicitly asked him who the new founders were and
5 reminded him that he was a shareholder entitled to know this information, Peltier
6 refused to divulge this information.

7 11. Buffin and Max Levine signed Stock Repurchase Agreements on
8 November 28, 2018, agreeing to sell back 600,000 of their shares for \$22,002 each.
9 This transaction constituted approximately 10% of the shares of the Company.
10 Plaintiffs trusted and relied on Peltier not to swindle them.

11 12. Peltier's statements to Buffin and Max Levine were fraudulent and
12 clear breaches of his fiduciary duties. Peltier materially misrepresented the
13 Company's financial position. He concealed the fact that Community was in the
14 midst of negotiating (if it had not already sealed the deal) an investment round that
15 was led by a venture capital firm owned by celebrity Ashton Kutcher and influential
16 Hollywood talent agent Guy Oseary, whose clients include big-name artists like U2
17 and Madonna. The Company was raising money at a valuation of approximately
18 \$180 million, and it went on to raise \$35 million as part of this round. All of this
19 information was inconsistent with the dire picture that Peltier painted for Buffin and
20 Max Levine. Had Peltier told Buffin and Max Levine this information, they would
21 not have agreed to sell back any of their shares.

22 13. Worse, Community, through Peltier, has now taken the position that
23 Steven Levine is not a shareholder of the Company, even though Steven Levine
24 financed the growth of the Company with its first investment. In fact, Peltier has
25 repeatedly over the course of several years confirmed Steven Levine's status as an
26 investor before just recently reversing course.

27 14. Through this lawsuit, Plaintiffs seek what they are owed. Their
28 damages for Peltier's fraudulent misconduct, securities violations and breaches of

1 fiduciary duty are estimated to be in excess of \$30 million. In addition, due to the
2 egregious nature of what happened here, punitive damages are appropriate.

3 **PARTIES**

4 15. Plaintiff Buffin is an individual residing in Los Angeles County.

5 16. Plaintiff Max Levine is an individual residing in Los Angeles County.

6 17. Plaintiff Steven Levine is an individual residing in the State of New
7 Jersey.

8 18. Defendant Peltier is an individual residing in Los Angeles County.

9 19. Upon information and belief, Defendant Community is a Delaware
10 corporation that is headquartered in Los Angeles County.

11 20. Plaintiffs are ignorant of the true names, capacities, relationships and
12 extent of participation in the conduct herein alleged of the Defendants sued herein as
13 DOES 1 through 10, inclusive, but on information and belief alleges that said
14 Defendants are legally responsible to them. Plaintiffs will amend this Complaint to
15 allege the true names and capacities of the Doe Defendants when ascertained.

16 **JURISDICTION AND VENUE**

17 21. This Court has jurisdiction over the subject matter of this action
18 pursuant to 28 U.S.C. § 1331 and Section 27 of the Securities Exchange Act of 1934
19 (“Exchange Act”), 15 U.S.C. § 78aa. The claims asserted herein arise under and are
20 pursuant to Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and
21 78t(a), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5.

22 22. This Court has diversity jurisdiction over the claims between Plaintiff
23 Steven Levine and Defendants which have an amount in controversy over \$75,000,
24 pursuant to 28 U.S.C. § 1332.

25 23. This Court has supplemental jurisdiction over state law claims in this
26 action pursuant to 28 U.S.C. § 1367 because they are related to the claims in this
27 action within the original jurisdiction of this Court that they form part of the same
28 case or controversy under Article III of the United States Constitution.

1 24. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b).
2 Defendants reside in this district; and many of the acts, omissions, and transactions
3 giving rise to the claims herein, including the false and misleading statements made
4 to Plaintiffs with respect to Defendants’ repurchase of Plaintiffs’ Company shares,
5 occurred in this district.

6 25. In connection with the acts and omissions alleged in this Complaint,
7 Defendants, direct or indirectly, used the means and instrumentalities of interstate
8 commerce, including but not limited to the use of phones for calls and texting, e-
9 mails, and the internet.

10 **FACTUAL BACKGROUND**

11 **A. Overview Of Community**

12 26. Community assigns a phone number to its clients (e.g., actors, athletes,
13 influencers, artists), which permits them to use the app to text directly with their
14 fans, and the fans can text the celebrity directly back. For example, if a musician is
15 on tour, he or she can use the Community app to text fans in a specific city
16 announcing an upcoming concert there and when they arrive in that city, he or she
17 can send a text to fans in that area asking for recommendations about local
18 restaurants.

19 27. The direct line of communication allows celebrities to create a more
20 intimate “community” with their fan base, and lets them bypass the media, the so-
21 called internet trolls and bullies, and the toxic culture that persists in many other
22 social media platforms such as Facebook, Instagram, Twitter, and Snapchat. It has
23 been reported that at least as of January 2020, Community has about 500 artists and
24 celebrities, or “Community leaders,” on board, and tens of thousands more on the
25 waiting list to join. Current users of Community include, but are not limited to,
26 Ashton Kutcher, Jennifer Lopez, John Legend, Paul McCartney, Amy Schumer,
27 Marshmello, Kerry Washington, Sean “Diddy” Combs, Mark Cuban, Sophie Bush,
28 and Ellen DeGeneres.

1 28. Community has received favorable press from major publications like
2 The New York Times, USA Today, Variety, Billboard, TechCrunch, Wired, Fast
3 Company, and Oprah Magazine.

4 29. While Community launched as a vehicle for celebrities, it intends to
5 scale and broaden its reach to other people and entities that have an audience they
6 want to reach, such as traditional salespeople, churches, politicians and community
7 organizers.

8 30. Community is currently raising tens of millions of dollars in
9 investments at a valuation of approximately \$450 million.

10 **B. Max Levine And Buffin Co-Found The Company**

11 31. In 2013, Max Levine and Buffin had the idea to create an internet
12 platform that would make it easier for social media influencers to interact with their
13 fans and followers. The idea was to flip the top-down and linear fashion in which
14 most social media platforms work, and instead create a space that would make fans
15 feel more visible and influencers feel more engaged with their base.

16 32. At the time of the Company's founding, Max Levine was the
17 Company's Chief Executive Officer ("CEO"), and Max Levine and Buffin were the
18 sole shareholders.

19 33. Max Levine and Buffin both had business backgrounds, and they
20 decided to bring someone on board to help build the Company's technology.

21 34. In or around the end of 2013, Max Levine met Peltier at a networking
22 event in New York City. Peltier had the product development experience that Max
23 Levine and Buffin were looking for. Peltier was brought on as the product manager.

24 35. Community launched under the name Shimmur as a web-based
25 application. It has been described as a Reddit-style product.

26 36. Buffin had a good relationship with Peltier from the start. Buffin
27 trusted Peltier, and thought he was extremely smart and talented. They built a
28 strong friendship based upon mutual trust and respect.

1 37. In fact, all three co-founders, Buffin, Max Levine, and Peltier, lived
2 together from early 2015 to April 2016 and thereafter lived in the same apartment
3 complex. Buffin and Peltier also attended the wedding of Max Levine's sister.

4 38. In 2014, Buffin, Max Levine, and Peltier collectively decided Peltier
5 should take over as CEO. In or around April 2014, Peltier became CEO, and the
6 parties also altered the capital structure of the Company: 40% to Peltier, and 15%
7 each to Max Levine and Buffin (the remaining stock was either reserved for the
8 stock pool or vested in others not a party to this lawsuit).

9 39. Throughout 2014, the parties continued to work on developing the
10 product.

11 **C. The Company's Early Fundraising Efforts**

12 40. The Company's first investment came from Max Levine's father,
13 Steven Levine. In or about 2014, Steven Levine made three separate investments in
14 the Company totaling \$50,000: \$8,500 made in January 2014 for the company's pre-
15 development stage; \$24,000 in February/March 2014 for the Company's
16 development stage; and \$17,500 in April 2014 for the Company's post-development
17 stage.

18 41. Peltier promised Steven Levine a 2.5% equity stake in the Company in
19 return for this investment. Steven Levine's equity investment was documented in an
20 April 16-17, 2014 email chain between Steven Levine and Peltier. On April 16,
21 2014, Peltier sent an email to Steven Levine telling him that the Company was
22 "proposing an offer of 2.5% equity for your investment" but that "the proposed
23 convertible note is still on the table as well." Peltier calculated Steven Levine's
24 equity as follows, adding in a "risk premium (RP)":

$$25 \quad \$50,000/\$3,000,000 - 1.666666\% * 1.5 (RP) = \sim 2.5\%$$

26 42. That same day, Steven Levine and Peltier had a phone call during
27 which Steven Levine told Peltier that he was accepting the equity offer rather than
28 the convertible note proposal. Peltier followed up with an email confirming their

1 conversation, stating: “The benefits for you are equally great and this ensures a
2 return on you [sic] investment. Max Levine, Buffin, and I unanimously agree this is
3 the route we would like to take.”

4 43. Steven Levine’s investment was the Company’s sole investment for
5 quite some time. In the latter part of 2014, Peltier started meeting with potential
6 investors in Los Angeles. In early 2015, Pelter was able to raise small amounts
7 from various investors in the range of \$5,000-\$20,000.

8 44. In 2015, the Company started to grow as the team added more
9 engineers to develop the product. Its app was launched for the first time in or
10 around the beginning of 2016. However, the Company was still in its early stages
11 and still had little working capital.

12 45. Therefore, Max Levine loaned the Company money so that it could
13 cover its expenses. Between January 2015 and August 2016, Max Levine lent the
14 Company approximately \$28,857. These loans were to cover expenses including
15 the Company’s payroll, rent, and bills.

16 46. In 2016, Peltier continued to raise money from other investors, and the
17 team worked to onboard more influencers onto the app. Community raised about
18 half a million dollars that year.

19 47. In 2017, Community applied to and got accepted into Tech Stars, a
20 competitive start-up incubator. At this point, Community had a team of 12
21 employees and was raising a seed fundraising round. Buffin played a pivotal role in
22 getting the Company accepted into Tech Stars by sending a tweet to one of the
23 people running the program, which got the Company a meeting.

24 48. Community nevertheless struggled to take off. While it had a decent
25 following of about 15,000 to 20,000 followers on Instagram, it struggled to gain
26 users and scale.

27 49. In or around 2017, the Company began to incorporate into its
28 technology SMS texting, which is where the entertainer could use the app to send

1 SMS texts to his or her followers. In or around 2018, the product started operating
2 under the d/b/a of Community. Subsequently, Community officially changed its
3 name with the Delaware Secretary of State.

4 **D. Buffin And Max Levine Leave The Company; And, According To**
5 **Peltier, The Company Continues To Struggle**

6 50. In or about the Summer of 2017, Max Levine, Buffin, and Peltier
7 determined that it would be in the best interests of the Company for Max Levine and
8 Buffin to leave the Company. Buffin and Max Levine wanted to pursue other
9 opportunities and felt that Peltier was capable of running the Company without
10 them. Both Buffin and Max Levine left the Company on good terms.

11 51. After their departures, Buffin and Max Levine each retained 750,000
12 common stock shares in the Company.

13 52. In or around mid-Summer of 2017, after Max Levine and Buffin left
14 the Company, Steven Levine called Peltier to discuss his investment. Steven Levine
15 wanted to know what was going to happen with the Company now that his son, Max
16 Levine, was no longer going to be directly involved. Steven Levine spoke with
17 Peltier and offered Community a discount in exchange for the return of his \$50,000
18 investment.

19 53. During this call, Peltier acknowledged Steven Levine's 2.5%
20 investment in the Company and reassured Steven Levine that the money was best
21 left in the Company because he was working on a new strategy that could turn the
22 Company around. Steven Levine trusted Peltier and believed that Peltier would
23 protect Steven Levine's interests and rights because Peltier had worked closely with
24 his son and Buffin. Steven Levine thus agreed to leave his investment in the
25 Company.

26 54. On or around January 28, 2018, Peltier, on behalf of Community,
27 entered into a contractual agreement to reimburse Max Levine for the money he had
28 loaned the Company. Peltier signed a contract stating that the "Company will

1 reimburse you for these expenses....” Max Levine timely submitted the expenses
2 for reimbursement, per the terms of the agreement.

3 55. However, Peltier kept pushing off paying Max Levine back and
4 eventually took the inexplicable position that no money was owed. Max Levine
5 literally subsidized Peltier so he could live in LA and work at Community, and then
6 Max Levine got stiffed.

7 56. On March 26, 2018, Peltier provided an investor update on the
8 Company in which he said the Company was burning approximately \$40,000 a
9 month and raising a small investment round for runway into early 2019.

10 57. Thereafter, Peltier began to communicate to Max Levine and Buffin
11 that the Company was failing and their shares were worthless. For example, on or
12 about May 11, 2018, in discussions about the value of the shares, Buffin expressed
13 concern about his incomplete knowledge about how the Company was doing: “Lol
14 you guys know what the shares can be worth much better than I do hence why
15 you’re shooting for more, I get it. I just personally feel like I’m getting dicked
16 around and don’t appreciate it.”

17 58. Peltier responded by assuring his friend that this was not the case: “but
18 for real, because the share[s] are w.e. [whatever] at this point, and we have \$70k in
19 our bank lol I’m just going off what feels meaningful.”

20 59. Peltier told Buffin he would make him “a good cash offer on some
21 shares over the summer when we get some money goin too. think about, lml.”

22 60. On May 25, 2018, Peltier called Buffin. During this call, Peltier
23 reiterated that the Company only had \$70,000 in the bank.

24 61. These and similar statements reinforced to Buffin that the value of their
25 shares was extremely low. Peltier began making these statements in March 2018 to
26 start laying the foundation for his fraud.

27 62. On or about June 18, 2018, Peltier called Buffin and floated that the
28 idea of the Company repurchasing all of Buffin’s and Max Levine’s outstanding

1 shares. During this call, which lasted about 20 minutes, Peltier offered \$10,000-
2 \$15,000 to each of Buffin and Max Levine. Peltier told Buffin that he was trying to
3 buy back shares from other key contributors as well. Peltier conveyed to Buffin and
4 Max Levine that he was just trying to do the “right thing” for all of the Company’s
5 shareholders.

6 63. Over the next several months, Peltier continued to push Buffin and
7 Max Levine to sell back their shares. The parties spoke on several occasions,
8 including via phone on August 14, 2018. Peltier floated some numbers to Max
9 Levine and Buffin to put some pressure on them but never made a formal offer for
10 the shares repurchase.

11 64. Peltier continued to paint a bleak picture of the Company and its
12 finances in these discussions. Peltier made vague references to trying to “clean up”
13 the Company’s capitalization table because they had a “small” investment closing
14 soon, but never offered any further detail or information. These statements were
15 intended to prime Max Levine and Buffin for a low-ball repurchase offer that Peltier
16 would soon thereafter make.

17 65. On October 29, 2018, Peltier called Buffin to give him and Max Levine
18 an ultimatum on the repurchase of their shares and to walk Buffin through the
19 Company’s position. Peltier told Buffin on this phone call that there were only two
20 options left for the Company given its poor financial condition: (1) the Company
21 would either go bankrupt and Buffin and Max Levine would be left with nothing; or
22 (2) Buffin and Max Levine could sell back their shares to the Company for
23 approximately \$20,000, which would save them all the time and legal costs
24 associated with filing for bankruptcy, allow Community to make payroll for a few
25 more months, and allow Max Levine and Buffin to walk away with guaranteed cash
26 in their pockets.

27 66. Peltier told Buffin during this October 29, 2018 call that the
28 Company’s shares were only worth a penny per share, or somewhere in that

1 “range,” and thus a purchase price in the \$20,000 range would be a great deal for
2 Max Levine and Buffin. Peltier told Buffin that such a purchase price would
3 essentially give Plaintiffs a windfall—three times the value of the Company’s
4 shares.

5 67. Peltier’s ultimatum was confirmed in a phone call and multiple texts
6 the next day, November 1, 2018. Buffin called Peltier, with whom he continued to
7 have a close relationship, to get some clarity on the situation. Buffin expressed that
8 he wanted more insight into the finances of the Company so he could make an
9 informed decision. On this phone call, Peltier repeated the same ultimatum and told
10 Buffin that the \$20,000 he was offering to each of Max Levine and Buffin was a
11 generous offer, would provide the Company some runway for a couple more months
12 and would give the Company the only way to avoid bankruptcy.

13 68. The conversation then continued via text message during which Peltier
14 again confirmed his ultimatum:

15 Buffin: Is there an option to sell half and keep half?

16 Peltier: unfortunately, i don’t think they’d go for that. kinda all or
17 nothing if we’re gonna try n roll forward vs clean reset. cash either
18 goes to legal or shareholders if that makes sense. latter is better for all

18 . . .

19 Buffin: Can you lay out options in a list form please?

20 . . .

21 Peltier: same as we talked about the other night as options. there arnt
22 really any. we either try n make something work or we just have to go
23 back to the drawing board

24 69. In the same text message chain, Buffin again told Peltier that he
25 preferred a cash and equity option and asked Peltier about the Company’s potential
26 upsides. Peltier played coy, responding in a manner that conveyed he saw no upside
27 to the Company and wished there was:

28 Buffin: Would be great to still see some longer term upside which is
why I asked about cash + equity.

1 Peltier: you’re telling me lol.

2
3 70. Peltier then emphasized that this would be a good deal for them while
4 at the same time helping out the Company financially. In particular, Peltier said,
5 “end of the day it’s your call. it would help us out tremendously to be honest and
6 you can at least control your outcome. it’s still a pretty massive return considering
7 the shares started at \$.00001 lol but think about it. otherwise we’ll need to recap
8 further or take other riskier/shitty routes.”

9 71. Buffin responded, summarizing that this other route, as Peltier had
10 explained previously, would be to “get stroked and move on with nothing lol.”

11 72. Peltier confirmed this was the only other option: “right, we just need to
12 clean cap to get all parties to help us move forward” and suggested this transaction
13 was essential for the Company to stay in business.

14 73. In the same text chain, Buffin also directly asked Peltier about the two
15 new founders that Peltier alluded to during their phone call the day prior. Peltier
16 refused to give Buffin that information. Even when Buffin reminded Peltier that he
17 was a shareholder of the Company and thus entitled to this information, Peltier blew
18 him off and completely ignored the request:

19 Buffin: I understand and wanna make this smooth for you guys. Who
20 are the two partner/co founder types you guys are bringing on?

21 Peltier: aight lmk [let me know] when you can please cause we gotta
22 make moves here soon and can’t get into that unfortunately, it’s
23 complicated but this is all part of how thatle turn out. think about it,
24 hit me tm or wkend.

25 Buffin: Word just curious considering I’m a shareholder.

26 74. Over the next several weeks in November 2018, Peltier ramped up his
27 communications with Buffin in efforts to get Buffin and Max Levine on board with
28 the repurchase of their stock. Peltier made repeated affirmations that this was the
only route available that would permit the Company to survive, that the shares were
worthless, the Company had limited prospects and was on death’s door.

1 75. On November 8, 2018, Buffin called Peltier to get some additional
2 clarity on the situation and continued to express his hesitation. Peltier, again,
3 reaffirmed that the only two options were those he previously discussed with Buffin.
4 Based on Peltier's statements and representations, Buffin told Peltier on this call that
5 he and Max Levine wanted to move forward with selling back their shares for a
6 purchase price in the range of \$20,000.

7 76. In or about mid-November 2018, Peltier sent Buffin and Max Levine a
8 draft Stock Repurchase Agreement. Peltier repeatedly assured them that this was
9 the best way forward for the Company and the only way to ensure Buffin and Max
10 Levine got any return on their investment.

11 77. On November 29, 2018, Peltier called Max Levine to try and seal the
12 deal. During that call, Peltier repeated the same story he had been telling Plaintiffs
13 for months—that the Company was on the verge of bankruptcy and that the only
14 way it could survive is if Buffin and Max Levine would sell back their shares.
15 During the call, Max Levine raised the fact that the Company still owed him for the
16 loans he provided to cover the Company's expenses.

17 78. Peltier became frustrated with Max Levine, accusing him of holding up
18 the repurchase process and accusing him of not being a "team player." Ultimately,
19 Peltier and Max Levine were able to reach a mutual understanding on that call, and
20 Peltier acknowledged Max Levine's loans to the Company and Steven Levine's
21 equity investment in this phone call.

22 79. Buffin and Max Levine entered into a Stock Repurchase Agreement
23 agreeing to sell back 600,000 shares in the Company for \$22,002. Peltier signed the
24 Stock Purchase Agreement on behalf of the Company. At this purchase price, the
25 approximate price per share was \$0.036. Max Levine and Buffin ultimately agreed
26 to this purchase price and thought they were getting a fair price for their shares
27 because Peltier told them that the Company's share value was de minimus.

28 80. After executing the Stock Repurchase Agreements, Max Levine and

1 Buffin each retained 75,000 shares in the Company.

2 **E. Max Levine And Buffin Uncover Defendants’ Fraudulent Conduct, And**
3 **Defendants Renege On Their Other Agreements With Plaintiffs**

4 81. On December 8, 2018, about a week and a half after selling back their
5 shares to Defendants, Max Levine and Buffin were informed that the Company was
6 starting to grow rapidly because it was working with a company named Maverick, a
7 music management group at Live Nation founded and formerly run by Guy Oseary.
8 Maverick is a collective of Hollywood superstar managers, whose ranks include the
9 managers of Britney Spears, The Weeknd, and Paul McCartney.

10 82. This news came as a shock to Buffin and Max Levine. It was the first
11 time that they learned that a big industry name like Oseary was involved with
12 Community at all. Peltier never mentioned Oseary or any companies affiliated with
13 him during any time that the parties were negotiating the repurchase of Buffin’s and
14 Max Levine’s shares. The Community product is premised on the involvement of
15 celebrities having direct communications with their fans. The involvement of such
16 an influential person as Oseary—who is in the entertainment business with a large
17 network of talent—would have significantly altered the calculus for Buffin and
18 Max Levine when they were negotiating the repurchase of their shares.

19 83. The next month, on January 29, 2019, Ashton Kutcher, the celebrity
20 actor, tweeted out his “phone number” to the public. Turns out, this number was not
21 his personal phone number but a Community phone number. Kutcher’s tweet was a
22 publicity stunt to stir interest in Community, and it did just that. Multiple media
23 outlets picked up on it and began reporting about Community. This was the first
24 time that Buffin and Max Levine learned that Kutcher was involved in the
25 Company.

26 84. On February 7, 2019, Peltier emailed Buffin to catch up. In that same
27 email, Peltier asked his assistant to schedule a “hang on the books” between Peltier
28 and Buffin. This further raised Buffin’s suspicions that something large had

1 recently happened to the Company. Peltier had never had an assistant at the
2 Company before because the teams had always been relatively small. Peltier would
3 not need an assistant unless the Company’s size had grown tremendously.

4 85. In or about June 2019, Peltier sent Steven Levine a text message asking
5 Steven Levine whether the Company could repurchase his shares.

6 86. In or around mid-late July 2019, Peltier called Steven Levine to follow
7 up on his offer for Defendants to repurchase Steven Levine’s shares. Peltier told
8 Steven Levine that Defendants were also buying out other early investors. Peltier
9 offered to return Steven Levine’s investment through a “consulting agreement.”

10 87. Steven Levine asked Peltier to give him an update on what was going
11 on with the Company to prompt the repurchase offer. Peltier did not provide Steven
12 Levine with any substantive information. Peltier did not mention any of the
13 Company’s fundraising efforts—no mention of the \$35 million investment, Guy
14 Oseary, or Ashton Kutcher.

15 88. On July 25, 2019, Tech Crunch, a reputable startup and technology
16 news publication, published an article reporting that the Sound Ventures partners,
17 Oseary and Kutcher, led a \$35 million investment round in Community. The article
18 stated, “The Santa Monica-based company has raised nearly \$35 million in the form
19 of two convertible notes following a recapitalization that occurred alongside its
20 rebranding earlier this year. . . .” Additionally, the Tech Crunch article reported that
21 the Company has been valued “at upwards of \$200 million.”

22 89. These numbers and the glowing overview of the Company stood in
23 stark contrast to what Peltier led Buffin and Max Levine to believe was the dire
24 financial condition of the Company and its limited prospects.

25 90. Max Levine immediately informed Steven Levine of the Tech Crunch
26 article. Steven Levine, too, was shocked to learn about the \$35 million investment
27 led by Sound Ventures. Steven Levine had spoken with Peltier just days before the
28 article came out, and Peltier never mentioned a single thing about the Company

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1 obtaining a multi-million dollar investment months prior.

2 91. Defendants intentionally kept this material information from Steven
3 Levine, despite the fact that he was a shareholder. It soon thereafter became clear to
4 Steven Levine that Defendants had no intention to treat him fairly or formally
5 acknowledge his rights as a shareholder in the Company. This was confirmed as
6 subsequently Peltier refused to acknowledge Steven Levine’s status as a
7 shareholder.

8 92. The timing of these events clearly illustrates that Peltier knew he had
9 Oseary and Kutcher as likely investors in Community (if they had not already been
10 locked in) during the parties’ negotiation of the repurchase. They were the two
11 “founders” mentioned by Peltier in his conversations. In fact, it was just nine days
12 after Buffin and Max Levine signed the Stock Repurchase Agreements that they
13 learned of Oseary’s involvement in the Company.

14 93. In addition, Steven Levine’s 2.5% equity stake in the Company has still
15 not been formally recognized, and the Company has failed to pay Max Levine back
16 approximately \$15,212. In fact, Defendants have now reversed course and are
17 denying that Steven Levine was ever an investor and a 2.5% shareholder.

18 **FIRST CAUSE OF ACTION**

19 **(Breach of Fiduciary Duty)**

20 ***(By Buffin and Max Levine Against Peltier And Doe Defendants)***

21 94. Plaintiffs repeat and reallege each and every foregoing and subsequent
22 allegation contained in the Complaint, and further allege as follows:

23 95. Directors and officers of a corporation owe fiduciary duties to the
24 corporation’s shareholders. This fiduciary duty includes an obligation to disclose
25 fully and fairly all material information within the board's control when it seeks
26 shareholder action. As such, Peltier, as the CEO and as a director of Community,
27 owed Buffin and Max Levine a fiduciary duty to disclose to them all material
28 information pertaining to Defendants’ repurchase of Plaintiffs’ Company shares.

1 96. As CEO and as a director of the Company, Peltier was privy to special
2 facts only within his control, and not only failed to disclose these facts to Plaintiffs,
3 but made misrepresentations to Plaintiffs regarding the status of the Company, the
4 value of Plaintiffs' shares and the identities of the new high-profile investors that
5 Peltier was bringing on board.

6 97. Peltier breached his fiduciary duty to Buffin and Max Levine by acting
7 against their interests, including but not limited to:

- 8 a. Misrepresenting to Buffin and Max Levine throughout 2018 that
9 the financial prospects and outlook for the Company were dire;
- 10 b. Misrepresenting to Buffin and Max Levine, on or about
11 October 29, 2018 and on multiple subsequent occasions, that the
12 Company would go bankrupt and that Buffin and Max Levine
13 would lose any chance of making any money on their investment
14 in the Company if Buffin and Max Levine did not sell back their
15 shares at that time;
- 16 c. Misrepresenting to Buffin and Max Levine that the only way to
17 ensure they would get cash in their pockets was to sell back their
18 shares to the Company in November 2018;
- 19 d. Misrepresenting to Buffin and Max Levine that the value of the
20 Company's shares was essentially worthless ("whatever") and
21 only worth a penny per share;
- 22 e. Misrepresenting to Buffin and Max Levine that they were getting
23 a good deal and a "massive" return on their investment through
24 the Stock Repurchase Agreement which gave them \$0.036 per
25 share because the Company's shares were really only worth a
26 penny per share;
- 27 f. Actively concealing from Buffin and Max Levine, despite having
28 a duty to disclose this information, the names of the Company's

- 1 high-profile investors or potential investors—Hollywood talent
2 manager Guy Oseary and celebrity Ashton Kutcher;
- 3 g. Actively concealing from Buffin and Max Levine, despite having
4 a duty to disclose this information, that negotiations were
5 underway, near complete, or already completed for a \$35 million
6 investment round led by Sound Ventures, a venture capital fund
7 founded by Ashton Kutcher and Guy Oseary;
- 8 h. Actively concealing from Buffin and Max Levine that the
9 Company had achieved significant technological breakthroughs
10 that would increase the value of the Company;
- 11 i. Actively concealing from Buffin and Max Levine, despite having
12 a duty to disclose this information, that the Company was raising
13 money at higher valuations than those presented to Buffin and
14 Max Levine, including at a valuation of approximately \$180
15 million;
- 16 j. Actively concealing from Buffin and Max Levine, despite having
17 a duty to disclose this information, that a \$35 million investment
18 round led by Sound Ventures would significantly change the
19 financial prospects of the Company and its share value.

20 98. Buffin and Max Levine’s reliance on these misrepresentations or
21 omissions directly and proximately caused injury and pecuniary loss to Buffin and
22 Max Levine for which they are each entitled to an award of compensatory damages
23 believed to be in excess of \$25 million.

24 99. Peltier acted with the intent of depriving Buffin and Max Levine of
25 their rights and causing injury to them. The conduct was despicable and subjected
26 Buffin and Max Levine to unjust hardship. The conduct was malicious, fraudulent
27 and oppressive, and was committed with a conscious disregard for Buffin’s and Max
28 Levine’s rights. Accordingly, Buffin and Max Levine are entitled to an award of

1 punitive or exemplary damages in an amount sufficient to punish Peltier and to
2 make an example of him.

3 **SECOND CAUSE OF ACTION**

4 **(Fraudulent Misrepresentation)**

5 *(By Buffin and Max Levine Against Defendants)*

6 100. Plaintiffs repeat and reallege each and every foregoing and subsequent
7 allegation contained in the Complaint, and further allege as follows:

8 101. As CEO of the Company and as a board member, Peltier owed a
9 fiduciary duty to Buffin and Max Levine, who were shareholders of the Company.
10 Peltier controlled the operations of the Company and had special knowledge of its
11 finances, future plans, prospective transactions, and prospects. Peltier’s fiduciary
12 duty to Plaintiffs required him to disclose all special facts relating to the Company’s
13 finances, future plans, prospective transactions, prospects, and similar information,
14 and to do so in a truthful manner, during the negotiations of Defendants’ repurchase
15 of Plaintiffs’ Company shares.

16 102. Defendants misrepresented to Plaintiffs the financial state and outlook
17 of the Company and made representations that the Company was in a dire state and
18 on the brink of insolvency. These statements were false or misleading because
19 Defendants were already undergoing negotiations regarding, if they had not already
20 obtained, a \$35 million investment round that was led by Sound Ventures, a venture
21 capital fund founded by Ashton Kutcher and Guy Oseary. Defendants made many
22 of these representations to Buffin knowing that Buffin would convey the message to
23 Max Levine, which Buffin did. These false representations include:

- 24 a. On or about August 14, 2018, Peltier called Buffin and told him
- 25 Defendants needed to “clean up” the Company’s capitalization
- 26 table because they had a “small” investment closing soon;
- 27 b. On or about October 29, 2018, and on multiple subsequent
- 28 occasions, Peltier told Buffin that there were only two options

- 1 left for the Company given its poor financial condition: (1) the
2 Company would either go bankrupt and Buffin and Max Levine
3 would be left with nothing from their investment in the
4 Company; or (2) Buffin and Max Levine could sell back their
5 shares to the Company for approximately \$20,000, which would
6 save them all the time and legal costs associated with filing for
7 bankruptcy, and allow Max Levine and Buffin to walk away with
8 guaranteed cash in their pockets;
- 9 c. On or about November 1, 2018, Peltier reiterated these two
10 options to Buffin and told him that “there arnt really any” other
11 options and that Buffin and Max Levine couldn’t sell back just
12 half of their shares because it was “kinda all or nothing”;
- 13 d. On or about November 1, 2018, Buffin asked Peltier to confirm
14 that the only other option would be to “get stroked and move on
15 with nothing lol,” to which Peltier responded, “[R]ight, we just
16 need to clean cap to get all parties to help us move forward”;
- 17 e. On or about November 1, 2018, after Buffin told Peltier he
18 wanted to “see some longer upside” in the Company, Peltier
19 responded, “you’re telling me lol”; and
- 20 f. On or about November 29, 2018, Peltier called Max Levine and
21 repeated the same ultimatum—that the Company was on the
22 verge of insolvency and could not survive if Buffin and Max
23 Levine did not sell back their shares.

24 103. Defendants also misrepresented the value of the Company shares.
25 These statements were misleading because Defendants made them without
26 providing Plaintiffs with all relevant disclosures relating to the Company’s
27 investment led by Sound Ventures, which affected the Company’s share value.
28 Defendants made many of these representations to Buffin knowing that Buffin

1 would convey the message to Max Levine, which Buffin did. These false
2 representations include:

- 3 a. On or about May 11, 2018, Peltier texted Buffin that the share
4 value of the Company “are w.e. [whatever] at this point, and we
5 have \$70k in our bank lol”; and
- 6 b. On or about October 29, 2018, Peltier called Buffin and told him
7 that the Company shares were worth a penny.
- 8 c. Throughout his discussions with Buffin in October and
9 November of 2018, Peltier expressed that the cash offer was
10 generous given the meager share value of the Company.

11 104. Defendants also misrepresented that they were acting in the best
12 interests of all of the shareholders, including Buffin and Max Levine. Defendants
13 made many of these representations to Buffin knowing that Buffin would convey the
14 message to Max Levine, which Buffin did. These false representations include:

- 15 a. On or about June 18, 2018, Peltier called Buffin and told him
16 that Defendants wanted to repurchase Plaintiffs’ shares as well as
17 shares from other former and current employees because
18 Defendants wanted to do the “right thing” for all the
19 shareholders;
- 20 b. On or about October 29, 2018, Peltier called Buffin and told him
21 that selling back his shares for approximately \$20,000 would be
22 the only way for Max Levine and Buffin to obtain a return on
23 their investment in the Company;
- 24 c. On or about October 29, 2018, Peltier called Buffin and told him
25 that a \$22,002 purchase price for each of Max Levine’s and
26 Buffin’s 600,000 shares (which equates to \$0.036/share) was a
27 good deal given that the Company’s shares were worth just a
28 penny; and

1 d. On or about November 1, 2018, Peltier texted Buffin to tell him
2 that selling back his shares for \$22,002 would still give Plaintiffs
3 a “massive return considering the shares started at \$.00001 lol.”

4 105. Defendants knew that these representations were false and that the
5 information they omitted or concealed from Buffin and Max Levine was material to
6 their decision on whether to sell back their Company shares, or were made with
7 utter disregard and reckless indifference to the truth.

8 106. By making the misrepresentations, Defendants intended to induce
9 Buffin and Max Levine to sell back their Company shares at a nominal price that
10 was based on a significantly understated valuation of the Company. Defendants
11 knew and understood that Buffin and Max Levine would act in reliance on the false
12 representations or omissions by agreeing to sell back their shares.

13 107. Buffin and Max Levine’s reliance on these misrepresentations or
14 omissions was foreseeable, reasonable, and justified. Indeed, Buffin and Max
15 Levine repeatedly expressed hesitation to Defendants about selling back their
16 Company shares in part because they had very little insight into the finances and
17 financial outlook of the Company. Peltier, as the CEO and person responsible for
18 running the day-to-day operations of the Company, had a duty to provide Buffin and
19 Max Levine with relevant and material information and insight into the Company
20 finances. Buffin and Max Levine trusted Peltier, who was not only an officer of the
21 Company but their former co-founder, to provide such information during the
22 parties’ negotiation of the stock repurchase. Peltier assured Buffin and Max Levine
23 that it was in the best interests of the Company and in the best interests of Buffin
24 and Max Levine to sell back their shares.

25 108. As a direct and proximate result of Plaintiffs’ reliance, Buffin and Max
26 Levine each entered into a stock repurchase agreement whereby each of them sold
27 back 600,000 Company shares for \$22,002. This caused injury and pecuniary loss
28 to Buffin and Max Levine because unbeknownst to them, Defendants had already

1 raised, or were on the cusp of raising, a \$35 million investment led by Sound
 2 Ventures, and the valuation of the Company was closer to \$200 million. Buffin and
 3 Max Levine would not have entered into the Stock Repurchase Agreement had
 4 Defendants not made their material misrepresentations or omissions. Buffin and
 5 Max Levine are thus entitled to an award of compensatory damages believed to be
 6 in excess of \$25 million. Alternatively, Buffin and Max Levine are entitled to
 7 rescission of each Stock Purchase Agreement as a result of Defendants' fraudulent
 8 conduct.

9 109. The conduct of Defendants was committed with the intent of depriving
 10 Buffin and Max Levine of their rights and causing injury to them. The conduct was
 11 despicable and subjected Buffin and Max Levine to unjust hardship. The conduct
 12 was malicious, fraudulent and oppressive, and was committed with a conscious
 13 disregard for Buffin's and Max Levine's rights. Accordingly, Buffin and Max
 14 Levine are entitled to an award of punitive or exemplary damages in an amount
 15 sufficient to punish Defendants and to make an example of them.

THIRD CAUSE OF ACTION

(Intentional Concealment)

(By Buffin and Max Levine Against Defendants)

19 110. Plaintiffs repeat and reallege each and every foregoing and subsequent
 20 allegation contained in the Complaint, and further allege as follows:

21 111. As CEO of the Company and as a board member, Peltier owed a
 22 fiduciary duty to Buffin and Max Levine, who were shareholders of the Company.
 23 Peltier controlled the operations of the Company and had special knowledge of its
 24 finances, future plans, prospective transactions, and prospects. Peltier's fiduciary
 25 duty to Plaintiffs required him to disclose all special facts relating to the Company's
 26 finances, future plans, prospective transactions, prospects, and similar information,
 27 and to do so in a truthful manner, during the negotiations of Defendants' repurchase
 28 of Plaintiffs' Company shares.

1 112. Defendants failed to disclose special facts relating to the Company’s
2 financial condition and prospects during the negotiations of Defendants’ repurchase
3 of Plaintiffs’ Company shares in order to induce Plaintiffs into selling their shares to
4 them. Peltier concealed the true financial outlook of the Company and the identity
5 of its new high-profile investors in hopes of swindling Plaintiffs to sell their shares
6 to him at a nominal amount so that Defendants could make a windfall. These
7 concealments include:

- 8 a. Actively concealing from Buffin and Max Levine, despite having
9 a duty to disclose this information, the names of the Company’s
10 high-profile investors or potential investors—including
11 Hollywood talent manager Guy Oseary and celebrity Ashton
12 Kutcher;
- 13 b. Actively concealing from Buffin and Max Levine, despite having
14 a duty to disclose this information, that negotiations were
15 underway, near complete, or already completed for a \$35 million
16 investment round led by Sound Ventures, a venture capital fund
17 founded by Ashton Kutcher and Guy Oseary;
- 18 c. Actively concealing from Buffin and Max Levine, despite having
19 a duty to disclose this information, that the Company was
20 raising, or having discussions to raise, money at a valuation of
21 approximately \$180 million;
- 22 d. Actively concealing from Buffin and Max Levine, despite having
23 a duty to disclose this information, that a \$35 million investment
24 round led by Sound Ventures would significantly change the
25 financial prospects of the Company and its share value; and
- 26 e. Actively concealing from Buffin and Max Levine that the
27 Company had achieved significant technological breakthroughs
28 that would significantly increase the value of the Company.

1 113. Defendants also failed to disclose information relating to the
2 Company’s financial state and outlook, including the fact that Defendants were
3 already undergoing negotiations regarding, if they had not already obtained, a \$35
4 million investment round led by Sound Ventures. In addition, Defendants failed to
5 disclose other valuations and projections for the Company that contradicted with the
6 financial picture being painted by Defendants for Buffin and Max Levine. This
7 concealment of material facts and information rendered their representations to
8 Buffin and Max Levine misleading, including the following representations:

- 9 a. On or about August 14, 2018, Peltier called Buffin and told him
10 Defendants needed to “clean up” the Company’s capitalization
11 table because they had a small investment closing soon;
- 12 b. On or about October 29, 2018, and on multiple subsequent
13 occasions, Peltier told Buffin that there were only two options
14 left for the Company given its poor financial condition: (1) the
15 Company would either go bankrupt and Buffin and Max Levine
16 would be left with nothing from their investment in the
17 Company; or (2) Buffin and Max Levine could sell back their
18 shares to the Company for approximately \$20,000, which would
19 save them all the time and legal costs associated with filing for
20 bankruptcy, and allow Max Levine and Buffin to walk away with
21 guaranteed cash in their pockets;
- 22 c. On or about November 1, 2018, Peltier reiterated these two
23 options to Buffin and told him that “there arnt really any” other
24 options and that Buffin and Max Levine couldn’t sell back just
25 half of their shares because it was “kinda all or nothing”;
- 26 d. On or about November 1, 2018, Buffin asked Peltier to confirm
27 that the only other option would be to “get stroked and move on
28 with nothing lol,” to which Peltier responded, “[R]ight, we just

- 1 need to clean cap to get all parties to help us move forward”;
- 2 e. On or about November 1, 2018, after Buffin told Peltier he
- 3 wanted to “see some longer upside” in the Company, Peltier
- 4 responded, “you’re telling me lol”; and
- 5 f. On or about November 29, 2018, Peltier called Max Levine and
- 6 repeated the same ultimatum—that the Company was on the
- 7 verge of insolvency and could not survive if Buffin and Max
- 8 Levine did not sell back their shares.

9 114. Defendants’ failure to disclose all material facts to Buffin and Max

10 Levine also rendered their representations regarding the value of the Company

11 shares misleading. These statements were misleading because Defendants made

12 them without providing Plaintiffs with all relevant disclosures relating to the

13 Company’s investment round led by Sound Ventures, which affected the

14 Company’s share value. These misleading representations include:

- 15 a. On or about May 11, 2018, Peltier texted Buffin that the share
- 16 value of the Company “are w.e. [whatever] at this point, and we
- 17 have \$70k in our bank lol”; and
- 18 b. On or about October 29, 2018, Peltier called Buffin and told him
- 19 that the Company shares were worth a penny.

20 115. Defendants’ failure to disclose all material facts to Buffin and Max

21 Levine also rendered their representations that they were acting in the best interests

22 of all of the shareholders, including Buffin and Max Levine, misleading. These

23 misleading representations include:

- 24 a. On or about June 18, 2018, Peltier called Buffin and told him
- 25 that Defendants wanted to repurchase Plaintiffs’ shares as well as
- 26 shares from other former and current employees because
- 27 Defendants wanted to do the “right thing” for all the
- 28 shareholders;

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- 1 b. On or about October 29, 2018, Peltier called Buffin and told him
- 2 that selling back his shares for approximately \$20,000 would be
- 3 the only way for Max Levine and Buffin to obtain a return on
- 4 their investment in the Company;
- 5 c. On or about October 29, 2018, Peltier called Buffin and told him
- 6 that a \$22,002 purchase price for each of Max Levine’s and
- 7 Buffin’s 600,000 shares (which equates to \$0.036/share) was a
- 8 good deal given that the Company shares were worth just a
- 9 penny; and
- 10 d. On or about November 1, 2018, Peltier texted Buffin to tell him
- 11 that selling back his shares for \$22,002 would still give Plaintiffs
- 12 a “massive return considering the shares started at \$.00001 lol.”

13 116. Defendants had a duty to disclose this information, not only because of
 14 Peltier’s fiduciary duties, but also because, having made statements, Defendants had
 15 a duty to provide other information that would put those statements in proper
 16 context.

17 117. Defendants knew that the information they omitted or concealed from
 18 Buffin and Max Levine was material to their decision on whether to sell back their
 19 Company shares for \$22,002.

20 118. By making the omissions, Defendants intended to induce Buffin and
 21 Max Levine to sell back their Company shares at a nominal price that was based on
 22 a significantly understated valuation of the Company. Defendants knew and
 23 understood that Buffin and Max Levine would act in reliance on the false
 24 representations or omissions by agreeing to sell back their shares.

25 119. Buffin and Max Levine’s reliance on these omissions was foreseeable,
 26 reasonable, and justified. Indeed, Buffin and Max Levine repeatedly expressed
 27 hesitation to Defendants about selling back their Company shares in part because
 28 they had very little insight into the finances and financial outlook of the Company.

1 Peltier, as the CEO and person responsible for running the day-to-day operations of
2 the Company, was the only person that could provide Buffin and Max Levine with
3 relevant and material information and insight into the Company finances. Buffin
4 and Max Levine trusted Peltier, who was not only an officer of the Company but
5 their former co-founder, to provide such information during the parties' negotiation
6 of the stock repurchase. Peltier assured Buffin and Max Levine that it was in the
7 best interests of the Company and in the best interests of Buffin and Max Levine to
8 sell back their shares.

9 120. As a direct and proximate result of their reliance, Buffin and Max
10 Levine each entered into a stock repurchase agreement whereby each of them sold
11 back 600,000 Company shares for \$22,002. This caused injury and pecuniary loss
12 to Buffin and Max Levine because unbeknownst to them, Defendants had already
13 raised, or were having discussions to raise, a \$35 million investment round led by
14 Sound Ventures at a valuation around \$180 million. Buffin and Max Levine would
15 not have entered into the Stock Repurchase Agreement had Defendants not made
16 their material omissions. Buffin and Max Levine are thus entitled to an award of
17 compensatory damages believed to be in excess of \$25 million. Alternatively,
18 Buffin and Max Levine are entitled to rescission of each Stock Purchase Agreement
19 as a result of Defendants' fraudulent conduct.

20 121. The conduct of Defendants was committed with the intent of depriving
21 Buffin and Max Levine of their rights and causing injury to them. The conduct was
22 despicable and subjected Buffin and Max Levine to unjust hardship. The conduct
23 was malicious, fraudulent and oppressive, and was committed with a conscious
24 disregard for Buffin's and Max Levine's rights. Accordingly, Buffin and Max
25 Levine are entitled to an award of punitive or exemplary damages in an amount
26 sufficient to punish Defendants and to make an example of them.

27
28

FOURTH CAUSE OF ACTION

(Violation of § 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 Promulgated Thereunder, 17 C.F.R. § 240.10b-5)

(By Buffin and Max Levine Against Defendants)

122. Plaintiffs repeat and reallege each and every foregoing and subsequent allegation contained in the Complaint, and further allege as follows:

123. As CEO of the Company and as a board member, Peltier owed a fiduciary duty to Buffin and Max Levine, who were shareholders of the Company. Peltier controlled the operations of the Company and had special knowledge of its finances, future plans, prospective transactions, and prospects. Peltier’s fiduciary duty to Plaintiffs required him to disclose all material facts relating to the Company’s finances, future plans, prospective transactions, prospects, and similar information, and to do so in a truthful manner, during the negotiations of Defendants’ repurchase of Plaintiffs’ Company shares.

124. Defendants, directly or indirectly, by the use of means or instrumentalities of interstate commerce, including but not limited to the use of phones for calls and texting, e-mail, and the internet, engaged in a course of conduct that violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by (a) employing a device, scheme, or artifice to defraud Plaintiffs; (b) making an untrue statement of material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaging in an act, practice, or course of business which operated or would operate as a fraud or deceit upon Plaintiffs, in connection with the repurchase of Plaintiffs’ Company shares.

125. Specifically, Defendants misrepresented to Plaintiffs the financial state and outlook of the Company, and made representations that the Company was in a dire state and on the brink of insolvency. These statements were false or misleading because Defendants were already undergoing negotiations regarding, if they had not

1 already obtained, a \$35 million investment round led by Sound Ventures, a venture
2 capital fund founded by Ashton Kutcher and Guy Oseary, and had experienced other
3 business events that significantly improved the outlook for the Company.

4 Defendants made many of these representations to Buffin knowing that Buffin
5 would convey the message to Max Levine, which Buffin did. These false
6 representations include:

- 7 a. On or about August 14, 2018, Peltier called Buffin and told him
8 Defendants needed to “clean up” the Company’s capitalization
9 table because they had a small investment closing soon;
- 10 b. On or about October 29, 2018, and on multiple subsequent
11 occasions, Peltier told Buffin over the phone that there were only
12 two options left for the Company given its poor financial
13 condition: (1) the Company would either go bankrupt and Buffin
14 and Max Levine would be left with nothing from their
15 investment in the Company; or (2) Buffin and Max Levine could
16 sell back their shares to the Company for approximately \$20,000,
17 which would save them all the time and legal costs associated
18 with filing for bankruptcy, and allow Max Levine and Buffin to
19 walk away with guaranteed cash in their pockets;
- 20 c. On or about November 1, 2018, Peltier reiterated these two
21 options to Buffin and told him that “there arnt really any” other
22 options and that Buffin and Max Levine couldn’t sell back just
23 half of their shares because it was “kinda all or nothing”;
- 24 d. On or about November 1, 2018, Buffin asked Peltier to confirm
25 that the only other option would be to “get stroked and move on
26 with nothing lol,” to which Peltier responded, “[R]ight, we just
27 need to clean cap to get all parties to help us move forward”;
- 28 e. On or about November 1, 2018, after Buffin told Peltier he

1 wanted to “see some longer upside” in the Company, Peltier
2 responded, “you’re telling me lol”; and
3 f. On or about November 29, 2018, Peltier called Max Levine and
4 repeated the same ultimatum—that the Company was on the
5 verge of insolvency and could not survive if Buffin and Max
6 Levine did not sell back their shares.

7 126. Defendants also misrepresented the value of the Company shares.
8 These statements were misleading because Defendants made them without
9 providing Plaintiffs with all relevant disclosures relating to the Company’s
10 investment led by Sound Ventures, which affected the Company’s share value.
11 Defendants made many of these representations to Buffin knowing that Buffin
12 would convey the message to Max Levine, which Buffin did. These false
13 representations include:

- 14 a. On or about May 11, 2018, Peltier texted Buffin that the share
15 value of the Company “are w.e. [whatever] at this point, and we
16 have \$70k in our bank lol”; and
17 b. On or about October 29, 2018, Peltier called Buffin and told him
18 that the Company shares were worth a penny;
19 c. Throughout his discussions with Buffin in October and
20 November of 2018, Peltier expressed that the cash offer was
21 generous given the meager share value of the Company.

22 127. Defendants also misrepresented that they were acting in the best
23 interests of all of the shareholders, including Buffin and Max Levine. Defendants
24 made many of these representations to Buffin knowing that Buffin would convey the
25 message to Max Levine, which Buffin did. These false representations include:

- 26 a. On or about June 18, 2018, Peltier called Buffin and told him
27 that Defendants wanted to repurchase Plaintiffs’ shares as well as
28 shares from other former and current employees because

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Defendants wanted to do the “right thing” for all the shareholders;

- b. On or about October 29, 2018, Peltier called Buffin and told him that selling back his shares for approximately \$20,000 would be the only way for Max Levine and Buffin to obtain a return on their investment in the Company;
- c. On or about October 29, 2018, Peltier called Buffin and told him that a \$22,002 purchase price for each of Max Levine’s and Buffin’s 600,000 shares (which equates to \$0.036/share) was a good deal given that the Company shares were worth just a penny; and
- d. On or about November 1, 2018, Peltier texted Buffin to tell him that selling back his shares for \$22,002 would still give Plaintiffs a “massive return considering the shares started at \$.00001 lol.”

128. Defendants failed to disclose these special facts relating to the Company’s financial condition and prospects during the negotiations of Defendants’ repurchase of Plaintiffs’ Company shares in order to induce Plaintiffs into selling their shares to them. Peltier concealed the true financial outlook of the Company and the identity of its new high-profile investors in hopes of swindling Plaintiffs to sell their shares to him at a nominal amount so that Defendants could make a windfall. These concealments include:

- a. Actively concealing from Buffin and Max Levine, despite having a duty to disclose this information, the names of the Company’s high-profile investors or potential investors—Hollywood talent manager Guy Oseary and celebrity Ashton Kutcher;
- b. Actively concealing from Buffin and Max Levine, despite having a duty to disclose this information, that negotiations were underway, near complete, or already completed for a \$35 million

- 1 investment in the Company led by Sound Ventures, a venture
- 2 capital fund founded by Ashton Kutcher and Guy Oseary;
- 3 c. Actively concealing from Buffin and Max Levine, despite having
- 4 a duty to disclose this information, that the Company was raising
- 5 money at valuations well in excess of those communicated to
- 6 Buffin and Max Levine, including a valuation of approximately
- 7 \$180 million; and
- 8 d. Actively concealing from Buffin and Max Levine, despite having
- 9 a duty to disclose this information, that new or anticipated
- 10 investment rounds would significantly change the financial
- 11 prospects of the Company and its share value;
- 12 e. Actively concealing the technological successes of the Company
- 13 and investor and client interest in those successes.

14 129. Defendants knew that the information they omitted or concealed from
15 Buffin and Max Levine was material to their decision on whether to sell back their
16 Company shares for \$22,002. The facts alleged herein indicate that Defendants
17 acted with scienter towards Plaintiffs.

18 130. By making the misrepresentations and omissions, Defendants intended
19 to induce Buffin and Max Levine to sell back their Company shares at a nominal
20 price that was based on a significantly understated valuation of the Company.
21 Defendants knew and understood that Buffin and Max Levine would act in reliance
22 on the false representations or omissions by agreeing to sell back their shares.

23 131. Buffin and Max Levine’s reliance on these omissions was foreseeable,
24 reasonable, and justified. Indeed, Buffin and Max Levine repeatedly expressed
25 hesitation to Defendants about selling back their Company shares in part because
26 they had very little insight into the finances and financial outlook of the Company.
27 Peltier, as the CEO and person responsible for running the day-to-day operations of
28 the Company, was the only person that could provide Buffin and Max Levine with

1 relevant and material information and insight into the Company finances. Buffin
 2 and Max Levine trusted Peltier, who was not only an officer of the Company but
 3 their former co-founder, to provide such information during the parties' negotiation
 4 of the stock repurchase. Peltier assured Buffin and Max Levine that it was in the
 5 best interests of the Company and in the best interests of Buffin and Max Levine to
 6 sell back their shares.

7 132. As a direct and proximate result of Plaintiffs' reliance, Buffin and Max
 8 Levine each entered into a stock repurchase agreement whereby each of them sold
 9 back 600,000 Company shares for \$22,002. This caused injury and pecuniary loss
 10 to Buffin and Max Levine because unbeknownst to them, Defendants had already
 11 raised, or were having discussions to raise, a \$35 million investment round led by
 12 Sound Ventures, at a Company valuation of \$180 million. Buffin and Max Levine
 13 would not have entered into the Stock Repurchase Agreement had Defendants not
 14 made their material omissions. Buffin and Max Levine are thus entitled to an award
 15 of compensatory damages believed to be in excess of \$25 million.

FIFTH CAUSE OF ACTION

(Violation of § 20(a) of the Exchange Act, 15 U.S.C. § 78(t))

(By Buffin and Max Levine Against Peltier And Doe Defendants)

19 133. Plaintiffs repeat and reallege each and every foregoing and subsequent
 20 allegation contained in the Complaint, and further allege as follows:

21 134. Peltier is, and was at all relevant times, the CEO and a board member
 22 of the Company, and thus a controlling person of the Company within the meaning
 23 of Section 20(a) of the Exchange Act. By virtue of his executive position, Peltier
 24 had the power to influence and control and did influence and control, directly or
 25 indirectly, the decision-making of the Company, including the dissemination of
 26 information and statements made to Buffin and Max Levine in connection with
 27 Defendants' repurchase of Plaintiffs' Company shares.

28 135. In particular, Peltier had direct involvement in the day-to-day

1 operations of the Company, including its fundraising efforts. Thus, Peltier had the
2 power to and indeed did exert control or influence over the negotiations of and
3 execution of Buffin’s and Max Levine’s Stock Repurchase Agreements. In fact,
4 Peltier was the sole signatory on behalf of the Company on the Stock Repurchase
5 Agreements.

6 136. As set forth above, Defendants violated Section 10(b) of the Exchange
7 Act and Rule 10b-5 by their acts and omissions alleged herein. By virtue of his
8 position as a controlling person of the Company, Peltier is jointly and severally
9 liable pursuant to Section 20(a) of the Exchange Act.

10 137. As a direct and proximate result of Peltier’s wrongful conduct, Buffin
11 and Max Levine each entered into a stock repurchase agreement whereby each of
12 them sold back 600,000 Company shares for \$22,002. This caused injury and
13 pecuniary loss to Buffin and Max Levine because unbeknownst to them, Defendants
14 had already raised, or were having discussions to raise, a \$35 million investment led
15 by Sound Ventures, and the Company had been valued at approximately \$180
16 million. Buffin and Max Levine would not have entered into the Stock Repurchase
17 Agreement had Defendants not made their material omissions. Buffin and Max
18 Levine are thus entitled to an award of compensatory damages believed to be in
19 excess of \$25 million.

20 **SIXTH CAUSE OF ACTION**

21 **(Securities Fraud, Violation of California Corp. Code §§ 25401, 25501, 25504)**

22 ***(By Buffin and Max Levine Against Defendants)***

23 138. Plaintiffs repeat and reallege each and every foregoing and subsequent
24 allegation contained in the Complaint, and further allege as follows:

25 139. The California Corporate Securities Laws of 1968, California
26 Corporations Code section 25401 (“Section 25401”), states that “[i]t is unlawful for
27 any person to offer or sell a security in this state, or to buy or offer to buy a security
28 in this state, by means of any written or oral communication that includes an untrue

1 statement of a material fact or omits to state a material fact necessary to make the
2 statements made, in the light of the circumstances under which the statements were
3 made, not misleading.”

4 140. Section 25501 of the Corporations Code imposes civil liability for any
5 person who violates Section 25401. Section 25501 states, in part, “Any person who
6 violates Section 25401 shall be liable to the person who purchases a security from
7 him or sells a security to him, who may sue either for rescission or for damages (if
8 the plaintiff or the defendant, as the case may be, no longer owns the security),
9 unless the defendant proves that the plaintiff knew the facts concerning the untruth
10 or omission or that the defendant exercised reasonable care and did not know (or if
11 he had exercised reasonable care would not have known) of the untruth or
12 omission.”

13 141. Section 25504 extends the civil liability under Section 25501 to “every
14 principal executive officer or director of a corporation so liable” and “every
15 employee of a person so liable who materially aids in the act or transaction
16 constituting the violation” (among others) who are thus jointly and severally liable
17 “unless the other person who is so liable had no knowledge of or reasonable grounds
18 to believe in the existence of the facts by reason of which the liability is alleged to
19 exist.”

20 142. As CEO and a board member of the Company, Peltier owed a fiduciary
21 duty to Buffin and Max Levine, who were shareholders of the Company. Peltier
22 controlled the operations of the Company and had knowledge of its finances.
23 Peltier’s fiduciary duty to Plaintiffs required him to disclose all material facts and to
24 do so in a truthful manner during the negotiations of Defendants’ repurchase of
25 Buffin’s and Max Levine’s shares.

26 143. Defendants misrepresented to Plaintiffs the financial state and outlook
27 of the Company, and made representations that the Company was in a dire state and
28 on the brink of insolvency. These statements were false or misleading because

1 Defendants were already undergoing negotiations regarding, if they had not already
2 obtained, a \$35 million investment round led by Sound Ventures, a venture capital
3 fund founded by Ashton Kutcher and Guy Oseary. Defendants made many of these
4 representations to Buffin knowing that Buffin would convey the message to Max
5 Levine, which Buffin did. These false representations include:

- 6 a. On or about August 14, 2018, Peltier called Buffin and told him
7 Defendants needed to “clean up” the Company’s capitalization
8 table because they had a “small” investment closing soon;
- 9 b. On or about October 29, 2018, and on multiple subsequent
10 occasions, Peltier told Buffin over the phone that there were only
11 two options left for the Company given its poor financial
12 condition: (1) the Company would either go bankrupt and Buffin
13 and Max Levine would be left with nothing from their
14 investment in the Company; or (2) Buffin and Max Levine could
15 sell back their shares to the Company for approximately \$20,000,
16 which would save them all the time and legal costs associated
17 with filing for bankruptcy, and allow Max Levine and Buffin to
18 walk away with guaranteed cash in their pockets;
- 19 c. On or about November 1, 2018, Peltier reiterated these two
20 options to Buffin and told him that “there arnt really any” other
21 options and that Buffin and Max Levine couldn’t sell back just
22 half of their shares because it was “kinda all or nothing”;
- 23 d. On or about November 1, 2018, Buffin asked Peltier to confirm
24 that the only other option would be to “get stroked and move on
25 with nothing lol,” to which Peltier responded, “[R]ight, we just
26 need to clean cap to get all parties to help us move forward”;
- 27 e. On or about November 1, 2018, after Buffin told Peltier he
28 wanted to “see some longer upside” in the Company, Peltier

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responded, “you’re telling me lol”; and

- f. On or about November 29, 2018, Peltier called Max Levine and repeated the same ultimatum—that the Company was on the verge of insolvency and could not survive if Buffin and Max Levine did not sell back their shares.

144. Defendants also misrepresented the value of the Company shares. These statements were misleading because Defendants made them without providing Plaintiffs with all relevant disclosures relating to the Company’s investment round led by Sound Ventures, which affected the Company’s share value. Defendants made many of these representations to Buffin knowing that Buffin would convey the message to Max Levine, which Buffin did. These false representations include:

- a. On or about May 11, 2018, Peltier texted Buffin that the share value of the Company “are w.e. [whatever] at this point, and we have \$70k in our bank lol”;
- b. On or about October 29, 2018, Peltier called Buffin and told him that the Company shares were worth a penny; and
- c. Throughout his discussions with Buffin in October and November of 2018, Peltier expressed that the cash offer was generous given the meager share value of the Company.

145. Defendants also misrepresented that they were acting in the best interests of all of the shareholders, including Buffin and Max Levine. Defendants made many of these representations to Buffin knowing that Buffin would convey the message to Max Levine, which Buffin did. These false representations include:

- a. On or about June 18, 2018, Peltier called Buffin and told him that Defendants wanted to repurchase Plaintiffs’ shares as well as shares from other former and current employees because Defendants wanted to do the “right thing” for all the

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shareholders;

- b. On or about October 29, 2018, Peltier called Buffin and told him that selling back his shares for approximately \$20,000 would be the only way for Max Levine and Buffin to obtain a return on their investment in the Company;
- c. On or about October 29, 2018, Peltier called Buffin and told him that a \$22,002 purchase price for each of Max Levine’s and Buffin’s 600,000 shares (which equates to \$0.036/share) was a good deal given that the Company shares were worth just a penny; and
- d. On or about November 1, 2018, Peltier texted Buffin to tell him that selling back his shares for \$22,002 would still give Plaintiffs a “massive return considering the shares started at \$.00001 lol.”

146. Defendants failed to disclose these special facts relating to the Company’s financial condition and prospects during the negotiations of Defendants’ repurchase of Plaintiffs’ Company shares in order to induce Plaintiffs into selling their shares to them. Peltier concealed the true financial outlook of the Company and the identity of its new high-profile investors in hopes of swindling Plaintiffs to sell their shares to him at a nominal amount so that Defendants could make a windfall. These concealments include:

- a. Actively concealing from Buffin and Max Levine, despite having a duty to disclose this information, the names of the Company’s high-profile investors or potential investors—Hollywood talent manager Guy Oseary and celebrity Ashton Kutcher;
- b. Actively concealing from Buffin and Max Levine, despite having a duty to disclose this information, that negotiations were underway, near complete, or already completed for a \$35 million investment round led by Sound Ventures, a venture capital fund

- 1 founded by Ashton Kutcher and Guy Oseary;
- 2 c. Actively concealing from Buffin and Max Levine, despite having
- 3 a duty to disclose this information, other valuations of the
- 4 Company, including the approximately \$180 million valuation
- 5 used for the round led by Sound Ventures; and
- 6 d. Actively concealing from Buffin and Max Levine, despite having
- 7 a duty to disclose this information, that a \$35 million investment
- 8 round led by Sound Ventures would significantly change the
- 9 financial prospects of the Company and its share value.

10 147. Defendants knew that the information they omitted or concealed from

11 Buffin and Max Levine was material to their decision on whether to sell back their

12 Company shares for \$22,002.

13 148. By making the misrepresentations or omissions, Defendants intended to

14 induce Buffin and Max Levine to sell back their Company shares at a nominal price

15 that was based on a significantly understated valuation of the Company. Defendants

16 knew and understood that Buffin and Max Levine would act in reliance on the false

17 representations or omissions by agreeing to sell back their shares.

18 149. Buffin and Max Levine's reliance on these misrepresentations or

19 omissions was foreseeable, reasonable, and justified. Indeed, Buffin and Max

20 Levine repeatedly expressed hesitation to Defendants about selling back their

21 Company shares in part because they had very little insight into the finances and

22 financial outlook of the Company. Peltier, as the CEO and person responsible for

23 running the day-to-day operations of the Company, was the only person that could

24 provide Buffin and Max Levine with relevant and material information and insight

25 into the Company finances. Buffin and Max Levine trusted Peltier, who was not

26 only an officer of the Company but their former co-founder, to provide such

27 information during the parties' negotiation of the stock repurchase. Peltier assured

28 Buffin and Max Levine that it was in the best interests of the Company and in the

1 best interests of Buffin and Max Levine to sell back their shares.

2 150. As a direct and proximate result of Plaintiffs’ reliance, Buffin and Max
3 Levine each entered into a stock repurchase agreement whereby each of them sold
4 back 600,000 Company shares for \$22,002. This caused injury and pecuniary loss
5 to Buffin and Max Levine because unbeknownst to them, Defendants had already
6 raised, or were in discussions to raise, a \$35 million investment round led by Sound
7 Ventures, and that the valuation of the Company was actually around \$180 million.
8 Buffin and Max Levine would not have entered into the Stock Repurchase
9 Agreement had Defendants not made their material misrepresentations or omissions.
10 Buffin and Max Levine are thus entitled to an award of compensatory damages
11 believed to be in excess of \$25 million. Alternatively, Buffin and Max Levine are
12 entitled to rescission of each Stock Purchase Agreement as a result of Defendants’
13 fraudulent conduct.

14 **SEVENTH CAUSE OF ACTION**

15 **(Negligent Misrepresentation)**

16 ***(By Buffin and Max Levine Against Defendants)***

17 151. Plaintiffs repeat and reallege each and every foregoing and subsequent
18 allegation contained in the Complaint, and further allege as follows:

19 152. As alleged herein, and in the alternative to Defendants fraudulently
20 making various false or misleading representations of material facts, Defendants
21 misrepresented to Plaintiffs the financial state and outlook of the Company, and
22 made representations that the Company was in a dire state and on the brink of
23 insolvency. Defendants made many of these representations to Buffin knowing that
24 Buffin would convey the message to Max Levine, which Buffin did. These false
25 representations include:

- 26 a. On or about August 14, 2018, Peltier called Buffin and told him
27 Defendants needed to “clean up” the Company’s capitalization
28 table because they had a “small” investment closing soon;

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- 1 b. On or about October 29, 2018, and on multiple subsequent
- 2 occasions, Peltier told Buffin that there were only two options
- 3 left for the Company given its poor financial condition: (1) the
- 4 Company would either go bankrupt and Buffin and Max Levine
- 5 would be left with nothing from their investment in the
- 6 Company; or (2) Buffin and Max Levine could sell back their
- 7 shares to the Company for approximately \$20,000, which would
- 8 save them all the time and legal costs associated with filing for
- 9 bankruptcy, and allow Max Levine and Buffin to walk away with
- 10 guaranteed cash in their pockets;
- 11 c. On or about November 1, 2018, Peltier reiterated these two
- 12 options to Buffin and told him that “there arnt really any” other
- 13 options and that Buffin and Max Levine couldn’t sell back just
- 14 half of their shares because it was “kinda all or nothing”;
- 15 d. On or about November 1, 2018, Buffin asked Peltier to confirm
- 16 that the only other option would be to “get stroked and move on
- 17 with nothing lol,” to which Peltier responded, “[R]ight, we just
- 18 need to clean cap to get all parties to help us move forward”;
- 19 e. On or about November 1, 2018, after Buffin told Peltier he
- 20 wanted to “see some longer upside” in the Company, Peltier
- 21 responded, “you’re telling me lol”; and
- 22 f. On or about November 29, 2018, Peltier called Max Levine and
- 23 repeated the same ultimatum—that the Company was on the
- 24 verge of insolvency and could not survive if Buffin and Max
- 25 Levine did not sell back their shares.

26 153. Defendants also misrepresented the value of the Company shares.

27 These statements were misleading because Defendants made them without

28 providing Plaintiffs with all relevant disclosures relating to the Company’s

1 investment led by Sound Ventures, which affected the Company’s share value.
2 Defendants made many of these representations to Buffin knowing that Buffin
3 would convey the message to Max Levine, which Buffin did. These false
4 representations include:

- 5 a. On or about May 11, 2018, Peltier texted Buffin that the share
6 value of the Company “are w.e. [whatever] at this point, and we
7 have \$70k in our bank lol”;
- 8 b. On or about October 29, 2018, Peltier called Buffin and told him
9 that the Company shares were worth a penny; and
- 10 c. Throughout his discussions with Buffin in October and
11 November of 2018, Peltier expressed that the cash offer was
12 generous given the meager share value of the Company.

13 154. Defendants also misrepresented that they were acting in the best
14 interests of all of the shareholders, including Buffin and Max Levine. Defendants
15 made many of these representations to Buffin knowing that Buffin would convey the
16 message to Max Levine, which Buffin did. These false representations include:

- 17 a. On or about June 18, 2018, Peltier called Buffin and told him
18 that Defendants wanted to repurchase Plaintiffs’ shares as well as
19 shares from other former and current employees because
20 Defendants wanted to do the “right thing” for all the
21 shareholders;
- 22 b. On or about October 29, 2018, Peltier called Buffin and told him
23 that selling back his shares for approximately \$20,000 would be
24 the only way for Max Levine and Buffin to obtain a return on
25 their investment in the Company;
- 26 c. On or about October 29, 2018, Peltier called Buffin and told him
27 that a \$22,002 purchase price for each of Max Levine’s and
28 Buffin’s 600,000 shares (which equates to \$0.036/share) was a

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good deal given that the Company shares were worth just a penny; and

- d. On or about November 1, 2018, Peltier texted Buffin to tell him that selling back his shares for \$22,002 would still give Plaintiffs a “massive return considering the shares started at \$.00001 lol.”

155. Defendants failed to disclose material facts relating to the Company’s financial condition and prospects during the negotiations of Defendants’ repurchase of Plaintiffs’ Company shares in order to induce Plaintiffs into selling their shares to them. These material omissions include:

- a. Actively concealing from Buffin and Max Levine, despite having a duty to disclose this information, the names of the Company’s high-profile investors or potential investors—Hollywood talent manager Guy Oseary and celebrity Ashton Kutcher;
- b. Actively concealing from Buffin and Max Levine, despite having a duty to disclose this information, that negotiations were underway, near complete, or already completed for a \$35 million investment round led by Sound Ventures;
- c. Actively concealing from Buffin and Max Levine, despite having a duty to disclose this information, other valuations for the Company, including the valuation of approximately \$180 million used for the \$35 million investment round led by Sound Ventures; and
- d. Actively concealing from Buffin and Max Levine, despite having a duty to disclose this information, that a \$35 million investment round led by Sound Ventures would significantly change the financial prospects of the Company and its share value.

156. Defendants made each of these false representations without reasonable grounds for believing them to be true. Defendants knew, or should have known,

1 that negotiations were underway or already completed for a \$35 million investment
2 from influential, high-profile investors and that such an investment would materially
3 raise the Company's share price and thus valuation.

4 157. By making the misrepresentations, Defendants intended to induce
5 Buffin and Max Levine to sell back their Company shares at a nominal price that
6 was based on a significantly understated valuation of the Company. Defendants
7 knew and understood that Buffin and Max Levine would act in reliance on the false
8 representations by agreeing to sell back their shares.

9 158. Buffin and Max Levine's reliance on these misrepresentations was
10 foreseeable, reasonable, and justified. Indeed, Buffin and Max Levine repeatedly
11 expressed hesitation to Defendants about selling back their Company shares in part
12 because they had very little insight into the finances and financial outlook of the
13 Company. Peltier, as the CEO and person responsible for running the day-to-day
14 operations of the Company, was the only person that could provide Buffin and Max
15 Levine with relevant and material information and insight into the Company
16 finances. Buffin and Max Levine trusted Peltier, who was not only an officer of the
17 Company but their former co-founder, to provide such information during the
18 parties' negotiation of the stock repurchase. Peltier assured Buffin and Max Levine
19 that it was in the best interests of the Company and in the best interests of Buffin
20 and Max Levine to sell back their shares.

21 159. As a direct and proximate result of Plaintiffs' reliance, Buffin and Max
22 Levine each entered into a stock repurchase agreement whereby each of them sold
23 back 600,000 Company shares for \$22,002. This caused injury and pecuniary loss
24 to Buffin and Max Levine because unbeknownst to them, Defendants had already
25 raised, or were on the cusp of raising, a \$35 million investment led by Sound
26 Ventures, at a Company valuation of \$180 million. Buffin and Max Levine are thus
27 entitled to an award of compensatory damages believed to be in excess of \$25
28 million.

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EIGHTH CAUSE OF ACTION

(Breach of Contract)

(By Max Levine Against Community)

160. Plaintiffs repeat and reallege each and every foregoing and subsequent allegation contained in the Complaint, and further allege as follows:

161. Max Levine and Community, through its agent Peltier, entered into numerous agreements whereby Max Levine would loan Community certain funds to pay off Community’s payroll and other operating expenses between January 2015 and August 2016. Community agreed to pay back those loans on numerous occasions. Max Levine has loaned the Company approximately \$28,857 in total.

162. In a Separation Agreement entered into on or around January 28, 2018, the Company agreed to finally make good on the outstanding amounts owed. The contract states that Max Levine would submit his outstanding business expenses and the “Company will reimburse you for these expenses....” Max Levine timely submitted the expenses for reimbursement.

163. Community has breached the parties’ agreements by failing to pay Max Levine back in full. Approximately \$15,212 remains outstanding.

164. This breach directly and proximately caused injury and pecuniary loss to Max Levine, for which he is entitled to an award of compensatory damages in the amount of \$15,212 plus interest.

NINTH CAUSE OF ACTION

(Breach of Contract)

(By Steven Levine Against Community)

165. Plaintiffs repeat and reallege each and every foregoing and subsequent allegation contained in the Complaint, and further allege as follows:

166. On or about April 16, 2014, Peltier emailed Steven Levine with a 2.5% equity stake offer in return for Steven Levine’s \$50,000 investment. In this email, Peltier referred to Steven Levine’s \$50,000 contribution to the Company as an

1 investment. Peltier also offered in this email to structure the investment as
2 convertible debt if Steven Levine preferred.

3 167. Shortly thereafter, Steven Levine spoke on the phone with Peltier and
4 accepted the offer for 2.5% equity; he told Peltier he was not interested in the
5 convertible debt offer.

6 168. Steven Levine trusted Peltier, with whom he had a close relationship by
7 virtue of his son's business relationship with Peltier.

8 169. In or about mid-Summer 2017, after his son Max Levine left the
9 Company, Steven Levine approached Peltier about buying out his investment in the
10 Company. Peltier reassured Steven Levine that his investment was best left in the
11 Company because they were working on a new strategy that could turn the
12 Company around. Based on this explanation from Peltier, Steven Levine decided to
13 stop negotiating for a buyout of his investment and continued to believe his
14 investment was secure.

15 170. Even as recently as June 2019, Peltier acknowledged Steven Levine's
16 2.5% investment. Around that time, Peltier approached Steven Levine through a
17 text message and phone call about Community buying out Steven Levine's 2.5%
18 interest. Peltier expressed that Defendants were making similar offers to other early
19 investors. Notably, in this conversation, Peltier failed to disclose anything about the
20 Company's recent successes, such as the \$35 million investment led by Sound
21 Ventures.

22 171. However, later in 2019, Defendants changed their position. They
23 denied that Steven Levine was an investor in the Company at all, let alone a 2.5%
24 interest holder. This was the first time Defendants ever communicated to Steven
25 Levine that they did not recognize him as a shareholder, let alone a 2.5%
26 shareholder.

27 172. It only became apparent to Steven Levine after Defendants reversed
28 course that Peltier had defrauded him and been stringing him along for years. The

1 statements Peltier made to Steven Levine in 2014, 2017 and 2019 were all
2 fraudulent and intended to induce Steven Levine to believe his investment was
3 secure when it was not.

4 173. Community breached its agreement with Steven Levine by, among
5 other things, failing to convey to Steven Levine shares in the Company amounting
6 to a 2.5% equity stake.

7 174. Steven Levine performed all conditions, covenants, and promises
8 required on his part to be performed, except for those conditions, covenants, or
9 promises which were excused by Community or that Community prevented him
10 from performing by the acts or omissions on the part of Community and its agent
11 Peltier.

12 175. This breach directly and proximately caused injury and pecuniary loss
13 to Steven Levine, for which he is entitled to an award of compensatory damages
14 believed to be in excess of \$5 million.

15 176. Alternatively, Steven Levine is entitled to a judicial order demanding
16 that Community specifically perform according to the terms of the parties'
17 agreement, including properly executing and transferring to Steven Levine shares in
18 Community reflecting his 2.5% equity interest.

19 **TENTH CAUSE OF ACTION**

20 **(Breach of Fiduciary Duty)**

21 ***(By Steven Levine Against Peltier And Doe Defendants)***

22 177. Plaintiffs repeat and reallege each and every foregoing and subsequent
23 allegation contained in the Complaint, and further allege as follows:

24 178. Directors and officers of a corporation owe fiduciary duties to the
25 corporation's shareholders. This fiduciary duty includes an obligation to recognize
26 a shareholder's status and equity stake in the corporation.

27 179. On or about April 16, 2014, Peltier emailed Steven Levine with a 2.5%
28 equity stake offer in return for Steven Levine's \$50,000 investment. In this email,

1 Peltier referred to Steven Levine’s \$50,000 contribution to the Company as an
2 investment. Peltier also offered in this email to structure the investment as
3 convertible debt if Steven Levine preferred.

4 180. Shortly thereafter, Steven Levine spoke on the phone with Peltier and
5 accepted the offer for 2.5% equity; he told Peltier he was not interested in the
6 convertible debt offer.

7 181. Steven Levine trusted Peltier, with whom he had a close relationship by
8 virtue of his son’s business relationship with Peltier.

9 182. In or about mid-Summer 2017, after his son Max Levine left the
10 Company, Steven Levine approached Peltier about buying out his investment in the
11 Company. Peltier reassured Steven Levine that his investment was best left in the
12 Company because they were working on a new strategy that could turn the
13 Company around. Based on this explanation from Peltier, Steven Levine decided to
14 stop negotiating for a buyout of his investment and continued to believe his
15 investment was secure.

16 183. Even as recently as June 2019, Peltier acknowledged Steven Levine’s
17 2.5% investment. Around that time, Peltier approached Steven Levine through a
18 text message and phone call about Community buying out Steven Levine’s 2.5%
19 interest. Peltier expressed that Defendants were making similar offers to other early
20 investors. Notably, in this conversation, Peltier failed to disclose anything about the
21 Company’s recent successes, such as the \$35 million investment led by Sound
22 Ventures.

23 184. However, later in 2019, Defendants changed their position. They
24 denied that Steven Levine was an investor in the Company at all, let alone a 2.5%
25 interest holder. This was the first time Defendants ever communicated to Steven
26 Levine that they did not recognize him as a shareholder, let alone a 2.5%
27 shareholder.

28 185. It only became apparent to Steven Levine after Defendants reversed

1 course that Peltier had defrauded him and been stringing him along for years. The
2 statements Peltier made to Steven Levine in 2014, 2017 and 2019 were all
3 fraudulent and intended to induce Steven Levine to believe his investment was
4 secure when it was not.

5 186. Peltier breached his fiduciary duty to Steven Levine, a shareholder in
6 the Company with a 2.5% equity stake, by, in 2019 and thereafter, failing and
7 refusing to recognize Steven Levine as a shareholder of the Company and his
8 accompanying equity stake and other shareholder rights, including by failing and
9 refusing to transfer to Steven Levine his shares in the Company.

10 187. Peltier's conduct has directly and proximately caused injury and
11 pecuniary loss to Steven Levine for which he is entitled to an award of
12 compensatory damages believed to be in excess of \$5 million.

13 188. Peltier acted with the intent of depriving Steven Levine of his rights
14 and causing injury to him. The conduct was despicable and subjected Steven Levine
15 to unjust hardship. The conduct was malicious, fraudulent and oppressive, and was
16 committed with a conscious disregard for Steven Levine's rights. Accordingly,
17 Steven Levine is entitled to an award of punitive or exemplary damages in an
18 amount sufficient to punish Peltier and to make an example of him.

19 **ELEVENTH CAUSE OF ACTION**

20 **(Fraud)**

21 ***(By Steven Levine Against Defendants)***

22 189. Plaintiffs repeat and reallege each and every foregoing and subsequent
23 allegations contained in the Complaint, and further allege as follows:

24 190. On or about April 16, 2014, Peltier emailed Steven Levine with a 2.5%
25 equity stake offer in return for Steven Levine's \$50,000 investment. In this email,
26 Peltier referred to Steven Levine's \$50,000 contribution to the Company as an
27 investment. Peltier also offered in this email to structure the investment as
28 convertible debt if Steven Levine preferred.

1 191. Shortly thereafter, Steven Levine spoke on the phone with Peltier and
2 accepted the offer for 2.5% equity; he told Peltier he was not interested in the
3 convertible debt offer.

4 192. Steven Levine trusted Peltier, with whom he had a close relationship by
5 virtue of his son's business relationship with Peltier.

6 193. In or about mid-Summer 2017, after his son Max Levine left the
7 Company, Steven Levine approached Peltier about buying out his investment in the
8 Company. Peltier reassured Steven Levine that his investment was best left in the
9 Company because they were working on a new strategy that could turn the
10 Company around. Based on this explanation from Peltier, Steven Levine decided to
11 stop negotiating for a buyout of his investment and continued to believe his
12 investment was secure.

13 194. Even as recently as June 2019, Peltier acknowledged Steven Levine's
14 2.5% investment. Around that time, Peltier approached Steven Levine through a
15 text message and phone call about Community buying out Steven Levine's 2.5%
16 interest. Peltier expressed that Defendants were making similar offers to other early
17 investors. Notably, in this conversation, Peltier failed to disclose anything about the
18 Company's recent successes, such as the \$35 million investment led by Sound
19 Ventures.

20 195. However, later in 2019, Defendants changed their position. They
21 denied that Steven Levine was an investor in the Company at all, let alone a 2.5%
22 interest holder. This was the first time Defendants ever communicated to Steven
23 Levine that they did not recognize him as a shareholder, let alone a 2.5%
24 shareholder.

25 196. It only became apparent to Steven Levine after Defendants reversed
26 course that Peltier had defrauded him and been stringing him along for years. The
27 statements Peltier made to Steven Levine in 2014, 2017 and 2019 were all
28 fraudulent and intended to induce Steven Levine to believe his investment was

1 secure when it was not.

2 197. Steven Levine relied on Defendants' false or misleading
3 representations to invest \$50,000 in the Company and to not take action until 2019.
4 Steven Levine's reliance on these misrepresentations and omissions was
5 foreseeable, reasonable, and justified. Steven Levine trusted Peltier, who acted as
6 the Company's agent, to deliver on his promise.

7 198. As a direct and proximate result of Steven Levine's reliance on
8 Defendants' misrepresentations and omissions, Steven Levine has suffered injury
9 and pecuniary loss and is thus entitled to an award of compensatory damages
10 believed to be in excess of \$5 million.

11 **TWELFTH CAUSE OF ACTION**

12 **(Violation of § 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5**
13 **Promulgated Thereunder, 17 C.F.R. § 240.10b-5))**

14 ***(By Steven Levine Against Defendants)***

15 199. Plaintiffs repeat and reallege each and every foregoing and subsequent
16 allegations contained in the Complaint, and further allege as follows:

17 200. Defendants, directly or indirectly, by the use of means or
18 instrumentalities of interstate commerce, including but not limited to the use of
19 phones for calls and texting, e-mail, and the internet, engaged in a course of conduct
20 that violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated
21 thereunder by (a) employing a device, scheme, or artifice to defraud Plaintiff;
22 (b) making an untrue statement of material fact or omitting to state a material fact
23 necessary in order to make the statements made, in light of the circumstances under
24 which they were made, not misleading; or (c) engaging in an act, practice, or course
25 of business which operated or would operate as a fraud or deceit upon Plaintiff, in
26 connection with obtaining Steven Levine's \$50,000 investment in the Company.

27 201. On or about April 16, 2014, Peltier emailed Steven Levine with a 2.5%
28 equity stake offer in return for Steven Levine's \$50,000 investment. In this email,

1 Peltier referred to Steven Levine’s \$50,000 contribution to the Company as an
2 investment. Peltier also offered in this email to structure the investment as
3 convertible debt if Steven Levine preferred.

4 202. Shortly thereafter, Steven Levine spoke on the phone with Peltier and
5 accepted the offer for 2.5% equity; he told Peltier he was not interested in the
6 convertible debt offer.

7 203. Steven Levine trusted Peltier, with whom he had a close relationship by
8 virtue of his son’s business relationship with Peltier.

9 204. In or about mid-Summer 2017, after his son Max Levine left the
10 Company, Steven Levine approached Peltier about buying out his investment in the
11 Company. Peltier reassured Steven Levine that his investment was best left in the
12 Company because they were working on a new strategy that could turn the
13 Company around. Based on this explanation from Peltier, Steven Levine decided to
14 stop negotiating for a buyout of his investment and continued to believe his
15 investment was secure.

16 205. Even as recently as June 2019, Peltier acknowledged Steven Levine’s
17 2.5% investment. Around that time, Peltier approached Steven Levine through a
18 text message and phone call about Community buying out Steven Levine’s 2.5%
19 interest. Peltier expressed that Defendants were making similar offers to all of its
20 early investors. Notably, in this conversation, Peltier failed to disclose anything
21 about the Company’s recent successes, such as the \$35 million investment led by
22 Sound Ventures.

23 206. However, later in 2019, Defendants changed their position. They
24 denied that Steven Levine was an investor in the Company at all, let alone a 2.5%
25 interest holder. This was the first time Defendants ever communicated to Steven
26 Levine that they did not recognize him as a shareholder, let alone a 2.5%
27 shareholder.

28 207. It only became apparent to Steven Levine after Defendants reversed

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1 course that Peltier had defrauded him and been stringing him along for years. The
2 statements Peltier made to Steven Levine in 2014, 2017 and 2019 were all
3 fraudulent and intended to induce Steven Levine to believe his investment was
4 secure when it was not.

5 208. Steven Levine relied on Defendants’ false or misleading
6 representations and invested \$50,000 in the Company and to not take action until
7 2019. Steven Levine’s reliance on these misrepresentations and omissions was
8 foreseeable, reasonable, and justified. Steven Levine trusted Peltier, who acted as
9 the Company’s agent, to deliver on his promise. The facts alleged herein indicate
10 that Defendants acted with scienter towards Plaintiff.

11 209. As a direct and proximate result of Steven Levine’s reliance on
12 Defendants’ misrepresentations and omissions, Steven Levine has suffered injury
13 and pecuniary loss and is thus entitled to an award of compensatory damages
14 believed to be in excess of \$5 million.

15 **THIRTEENTH CAUSE OF ACTION**

16 **(Violation of § 20(a) of the Exchange Act, 15 U.S.C. § 78(t))**

17 ***(By Steven Levine Against Peltier And Doe Defendants)***

18 210. Plaintiffs repeat and reallege each and every foregoing and subsequent
19 allegation contained in the Complaint, and further allege as follows:

20 211. Peltier is, and was at all relevant times, the CEO and a board member
21 of the Company, and thus a controlling person of the Company within the meaning
22 of Section 20(a) of the Exchange Act. By virtue of his executive position, Peltier
23 had the power to influence and control and did influence and control, directly or
24 indirectly, the decision-making of the Company, including the offer of a 2.5%
25 equity stake to Steven Levine in return for his \$50,000 investment in the Company.

26 212. In particular, Peltier had direct involvement in the day-to-day
27 operations and the power to control or influence the negotiations of and execution of
28 any investments made in the Company. In fact, Peltier did exert that control and

1 influence, including by negotiating and communicating directly with Steven Levine
2 regarding his investment and 2.5% equity stake in the Company.

3 213. As set forth above, Defendants violated Section 10(b) of the Exchange
4 Act and Rule 10b-5 by their acts or omissions alleged herein. By virtue of his
5 position as a controlling person of the Company, Peltier is jointly and severally
6 liable pursuant to Section 20(a) of the Exchange Act.

7 214. As a direct and proximate result of Peltier's wrongful conduct, Steven
8 Levine has suffered injury and pecuniary loss, and is thus entitled to an award of
9 compensatory damages believed to be in excess of \$5 million.

10 **FOURTEENTH CAUSE OF ACTION**

11 **(Securities Fraud, Violation of California Corp. Code §§ 25401, 25501, 25504)**

12 ***(By Steven Levine Against Defendants)***

13 215. Plaintiffs repeat and reallege each and every foregoing and subsequent
14 allegations contained in the Complaint, and further allege as follows:

15 216. Section 25401 states that “[i]t is unlawful for any person to offer or sell
16 a security in this state, or to buy or offer to buy a security in this state, by means of
17 any written or oral communication that includes an untrue statement of a material
18 fact or omits to state a material fact necessary to make the statements made, in the
19 light of the circumstances under which the statements were made, not misleading.”

20 217. Section 25501 of the Corporations Code imposes civil liability for any
21 person who violates Section 25401. Section 25501 states, in part, “Any person who
22 violates Section 25401 shall be liable to the person who purchases a security from
23 him or sells a security to him, who may sue either for rescission or for damages (if
24 the plaintiff or the defendant, as the case may be, no longer owns the security),
25 unless the defendant proves that the plaintiff knew the facts concerning the untruth
26 or omission or that the defendant exercised reasonable care and did not know (or if
27 he had exercised reasonable care would not have known) of the untruth or
28 omission.”

1 218. Section 25504 extends the civil liability under Section 25501 to “every
2 principal executive officer or director of a corporation so liable” and “every
3 employee of a person so liable who materially aids in the act or transaction
4 constituting the violation” (among others) who are thus jointly and severally liable
5 “unless the other person who is so liable had no knowledge of or reasonable grounds
6 to believe in the existence of the facts by reason of which the liability is alleged to
7 exist.”

8 219. On or about April 16, 2014, Peltier emailed Steven Levine with a 2.5%
9 equity stake offer in return for Steven Levine’s \$50,000 investment. In this email,
10 Peltier referred to Steven Levine’s \$50,000 contribution to the Company as an
11 investment. Peltier also offered in this email to structure the investment as
12 convertible debt if Steven Levine preferred.

13 220. Shortly thereafter, Steven Levine spoke on the phone with Peltier and
14 accepted the offer for 2.5% equity; he told Peltier he was not interested in the
15 convertible debt offer.

16 221. Steven Levine trusted Peltier, with whom he had a close relationship by
17 virtue of his son’s business relationship with Peltier.

18 222. In or about mid-Summer 2017, after his son Max Levine left the
19 Company, Steven Levine approached Peltier about buying out his investment in the
20 Company. Peltier reassured Steven Levine that his investment was best left in the
21 Company because they were working on a new strategy that could turn the
22 Company around. Based on this explanation from Peltier, Steven Levine decided to
23 stop negotiating for a buyout of his investment and continued to believe his
24 investment was secure.

25 223. Even as recently as June 2019, Peltier acknowledged Steven Levine’s
26 2.5% investment. Around that time, Peltier approached Steven Levine through a
27 text message and phone call about Community buying out Steven Levine’s 2.5%
28 interest. Peltier expressed that Defendants were making similar offers to all of its

1 early investors. Notably, in this conversation, Peltier failed to disclose anything
2 about the Company's recent successes, such as the \$35 million investment led by
3 Sound Ventures.

4 224. However, later in 2019, Defendants changed their position. They
5 denied that Steven Levine was an investor in the Company at all, let alone a 2.5%
6 interest holder. This was the first time Defendants ever communicated to Steven
7 Levine that they did not recognize him as a shareholder, let alone a 2.5%
8 shareholder.

9 225. It only became apparent to Steven Levine after Defendants reversed
10 course that Peltier had defrauded him and been stringing him along for years. The
11 statements Peltier made to Steven Levine in 2014, 2017 and 2019 were all
12 fraudulent and intended to induce Steven Levine to believe his investment was
13 secure when it was not.

14 226. Steven Levine relied on Defendants' false or misleading
15 representations and invested \$50,000 in the Company. Steven Levine's reliance on
16 these misrepresentations and omissions was foreseeable, reasonable, and justified.
17 Steven Levine trusted Peltier, who acted as the Company's agent, to deliver on his
18 promise. The facts alleged herein indicate that Defendants acted with scienter
19 towards Plaintiff.

20 227. As a direct and proximate result of Steven Levine's reliance on
21 Defendants' misrepresentations and omissions, Steven Levine has suffered injury
22 and pecuniary loss and is thus entitled to an award of compensatory damages
23 believed to be in excess of \$5 million.

24 **FIFTEENTH CAUSE OF ACTION**

25 **(Negligent Misrepresentation)**

26 ***(By Steven Levine Against Defendants)***

27 228. Plaintiffs repeat and reallege each and every foregoing and subsequent
28 allegations contained in the Complaint, and further allege as follows:

1 229. As alleged herein, and in the alternative to Defendants fraudulently
2 making misrepresentations or omissions of material facts, Defendants made
3 misrepresentations or omissions to Steven Levine regarding his investment in the
4 Company without reasonable grounds for believing them to be true.

5 230. On or about April 16, 2014, Peltier emailed Steven Levine with a 2.5%
6 equity stake offer in return for Steven Levine’s \$50,000 investment. In this email,
7 Peltier referred to Steven Levine’s \$50,000 contribution to the Company as an
8 investment. Peltier also offered in this email to structure the investment as
9 convertible debt if Steven Levine preferred.

10 231. Shortly thereafter, Steven Levine spoke on the phone with Peltier and
11 accepted the offer for 2.5% equity; he told Peltier he was not interested in the
12 convertible debt offer.

13 232. Steven Levine trusted Peltier, with whom he had a close relationship by
14 virtue of his son’s business relationship with Peltier.

15 233. In or about mid-Summer 2017, after his son Max Levine left the
16 Company, Steven Levine approached Peltier about buying out his investment in the
17 Company. Peltier reassured Steven Levine that his investment was best left in the
18 Company because they were working on a new strategy that could turn the
19 Company around. Based on this explanation from Peltier, Steven Levine decided to
20 stop negotiating for a buyout of his investment and continued to believe his
21 investment was secure.

22 234. Even as recently as June 2019, Peltier acknowledged Steven Levine’s
23 2.5% investment. Around that time, Peltier approached Steven Levine through a
24 text message and phone call about Community buying out Steven Levine’s 2.5%
25 interest. Peltier expressed that Defendants were making similar offers to all of its
26 early investors. Notably, in this conversation, Peltier failed to disclose anything
27 about the Company’s recent successes, such as the \$35 million investment led by
28 Sound Ventures.

1 235. However, later in 2019, Defendants changed their position. They
2 denied that Steven Levine was an investor in the Company at all, let alone a 2.5%
3 interest holder. This was the first time Defendants ever communicated to Steven
4 Levine that they did not recognize him as a shareholder, let alone a 2.5%
5 shareholder.

6 236. Defendants knew, or should have known, that Defendants were not
7 going to recognize Steven Levine as a shareholder in the Company.

8 237. Defendants made the misrepresentations intending to induce Steven
9 Levine to make a \$50,000 investment in the Company.

10 238. Steven Levine’s reliance on these misrepresentations was foreseeable,
11 reasonable, and justified.

12 239. As a direct and proximate result of Steven Levine’s reliance, Steven
13 Levine invested \$50,000 in the Company. This caused injury and pecuniary loss to
14 Steven Levine, and he is entitled to damages in an amount to be determined but
15 exceeding \$5 million.

16 **SIXTEENTH CAUSE OF ACTION**

17 **(Conversion)**

18 ***(By Steven Levine Against Defendants)***

19 240. Plaintiffs repeat and reallege each and every foregoing and subsequent
20 allegations contained in the Complaint, and further allege as follows:

21 241. On or about April 16, 2014, Peltier emailed Steven Levine with a 2.5%
22 equity stake offer in return for Steven Levine’s \$50,000 investment. In this email,
23 Peltier referred to Steven Levine’s \$50,000 contribution to the Company as an
24 investment. Peltier also offered in this email to structure the investment as
25 convertible debt if Steven Levine preferred.

26 242. Shortly thereafter, Steven Levine spoke on the phone with Peltier and
27 accepted the offer for 2.5% equity; he told Peltier he was not interested in the
28 convertible debt offer.

1 243. Steven Levine trusted Peltier, with whom he had a close relationship by
2 virtue of his son’s business relationship with Peltier.

3 244. In or about mid-Summer 2017, after his son Max Levine left the
4 Company, Steven Levine approached Peltier about buying out his investment in the
5 Company. Peltier reassured Steven Levine that his investment was best left in the
6 Company because they were working on a new strategy that could turn the
7 Company around. Based on this explanation from Peltier, Steven Levine decided to
8 stop negotiating for a buyout of his investment and continued to believe his
9 investment was secure.

10 245. Even as recently as June 2019, Peltier acknowledged Steven Levine’s
11 2.5% investment. Around that time, Peltier approached Steven Levine through a
12 text message and phone call about Community buying out Steven Levine’s 2.5%
13 interest. Peltier expressed that Defendants were making similar offers to all of its
14 early investors. Notably, in this conversation, Peltier failed to disclose anything
15 about the Company’s recent successes, such as the \$35 million investment led by
16 Sound Ventures.

17 246. However, later in 2019, Defendants changed their position. They
18 denied that Steven Levine was an investor in the Company at all, let alone a 2.5%
19 interest holder. This was the first time Defendants ever communicated to Steven
20 Levine that they did not recognize him as a shareholder, let alone a 2.5%
21 shareholder.

22 247. The Defendants therefore took the \$50,000 investment but have refused
23 to transfer to Steven Levine his shares in the Company without any authority.

24 248. Defendants’ conduct was the direct and proximate cause of Steven
25 Levine’s damages in an amount to be determined but exceeding \$5 million.

26 249. The Company, through its agent Peltier, acted with the intent of
27 depriving Steven Levine of his rights and causing injury to him. The conduct was
28 despicable and subjected Steven Levine to unjust hardship. The conduct was

1 malicious, fraudulent and oppressive, and was committed with a conscious disregard
2 for Steven Levine’s rights. Accordingly, Steven Levine is entitled to an award of
3 punitive or exemplary damages in an amount sufficient to punish the Company and
4 Peltier and to make an example of them.

5 **SEVENTEENTH CAUSE OF ACTION**

6 **(Violation Of California Penal Code § 496(c))**

7 ***(By Steven Levine Against Defendants)***

8 250. Plaintiffs repeat and reallege each and every foregoing and subsequent
9 allegations contained in the Complaint, and further allege as follows:

10 251. California Penal Code section 496(a) imposes criminal penalties
11 against any person “who buys or receives any property that has been stolen or that
12 has been obtained in any manner constituting theft or extortion, knowing the
13 property to be so stolen or obtained, or who conceals, sells, withholds, or aids in
14 concealing, selling, or withholding any property from the owner, knowing the
15 property to be so stolen or obtained.”

16 252. California Penal Code section 496(c) permits “[a]ny person who has
17 been injured by a violation of subdivision (a) . . . [to] bring an action for three times
18 the amount of actual damages, if any, sustained by the plaintiff, costs of suit, and
19 reasonable attorney’s fees.”

20 253. On or about April 16, 2014, Peltier emailed Steven Levine with a 2.5%
21 equity stake offer in return for Steven Levine’s \$50,000 investment. In this email,
22 Peltier referred to Steven Levine’s \$50,000 contribution to the Company as an
23 investment. Peltier also offered in this email to structure the investment as
24 convertible debt if Steven Levine preferred.

25 254. Shortly thereafter, Steven Levine spoke on the phone with Peltier and
26 accepted the offer for 2.5% equity; he told Peltier he was not interested in the
27 convertible debt offer.

28 255. Steven Levine trusted Peltier, with whom he had a close relationship by

1 virtue of his son’s business relationship with Peltier.

2 256. In or about mid-Summer 2017, after his son Max Levine left the
3 Company, Steven Levine approached Peltier about buying out his investment in the
4 Company. Peltier reassured Steven Levine that his investment was best left in the
5 Company because they were working on a new strategy that could turn the
6 Company around. Based on this explanation from Peltier, Steven Levine decided to
7 stop negotiating for a buyout of his investment and continued to believe his
8 investment was secure.

9 257. Even as recently as June 2019, Peltier acknowledged Steven Levine’s
10 2.5% investment. Around that time, Peltier approached Steven Levine through a
11 text message and phone call about Community buying out Steven Levine’s 2.5%
12 interest. Peltier expressed that Defendants were making similar offers to all of its
13 early investors. Notably, in this conversation, Peltier failed to disclose anything
14 about the Company’s recent successes, such as the \$35 million investment led by
15 Sound Ventures.

16 258. However, later in 2019, Defendants changed their position. They
17 denied that Steven Levine was an investor in the Company at all, let alone a 2.5%
18 interest holder. This was the first time Defendants ever communicated to Steven
19 Levine that they did not recognize him as a shareholder, let alone a 2.5%
20 shareholder.

21 259. The Company took the \$50,000 investment but Defendants have
22 refused to transfer to Steven Levine his shares in the Company without any
23 authority. Defendants have no right, title, or other valid interest in Steven Levine’s
24 shares in the Company. The Defendants’ misappropriation of Steven Levine’s
25 shares constituted theft.

26 260. The Company’s conduct was the direct and proximate cause of Steven
27 Levine’s damages in an amount to be determined but exceeding \$5 million. Under
28 California Penal Code section 496(c), Steven Levine is entitled to three times the

1 amount of his actual damages, plus costs and attorneys’ fees.

2 **EIGHTEENTH CAUSE OF ACTION**

3 **(Declaratory Relief)**

4 ***(By Steven Levine Against Defendants)***

5 261. Plaintiffs repeat and reallege each and every foregoing and subsequent
6 allegations contained in the Complaint, and further allege as follows:

7 262. An actual controversy now exists between Steven Levine and
8 Defendants. Steven Levine, on the one hand, claims that he is a shareholder of the
9 Company and is entitled to a 2.5% equity stake. Defendants, on the other hand,
10 wrongfully claim that Steven Levine is not a shareholder and/or refuse to recognize
11 his status as a shareholder by refusing to transfer to Steven Levine his shares in the
12 Company and/or do not recognize his 2.5% interest.

13 263. Steven Levine requests a judicial declaration that he is a shareholder of
14 the Company with an equity stake of 2.5%, or in the alternative, that Steven Levine
15 is entitled to compensation from the Company for his 2.5% equity ownership
16 interest. A judicial declaration is necessary and appropriate so that the parties may
17 ascertain their respective rights, duties, and obligations.

18 **NINETEENTH CAUSE OF ACTION**

19 **(Financial Elder Abuse California Welfare & Institutions Code**

20 **§ 15610.30, et seq.)**

21 ***(By Steven Levine Against Defendants)***

22 264. Plaintiffs repeat and reallege each and every foregoing and subsequent
23 allegations contained in the Complaint, and further allege as follows:

24 265. California Welfare and Institutions Code (“WIC”) section
25 15610.30(a)(1) and (2) state that financial abuse of an elder takes place when one
26 “[t]akes, secretes, appropriates, obtains, or retains real or personal property of an
27 elder or dependent adult for a wrongful use or with intent to defraud, or both” or
28 “[a]ssists in taking, secreting, appropriating, obtaining, or retaining real or personal

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1 property of an elder or dependent adult for a wrongful use or with intent to defraud,
2 or both.”

3 266. WIC section 15610.30(b) states that a person takes property for
4 wrongful use “if, among other things, the person or entity takes, secretes,
5 appropriates, obtains, or retains the property and the person or entity knew or should
6 have known that this conduct is likely to be harmful to the elder or dependent adult.”

7 267. Steven Levine is over 65 years old; therefore, he is an elder pursuant to
8 WIC section 15610.27.

9 268. On or about April 16, 2014, Peltier emailed Steven Levine with a 2.5%
10 equity stake offer in return for Steven Levine’s \$50,000 investment. In this email,
11 Peltier referred to Steven Levine’s \$50,000 contribution to the Company as an
12 investment. Peltier also offered in this email to structure the investment as
13 convertible debt if Steven Levine preferred.

14 269. Shortly thereafter, Steven Levine spoke on the phone with Peltier and
15 accepted the offer for 2.5% equity; he told Peltier he was not interested in the
16 convertible debt offer.

17 270. Steven Levine trusted Peltier, with whom he had a close relationship by
18 virtue of his son’s business relationship with Peltier.

19 271. In or about mid-Summer 2017, after his son Max Levine left the
20 Company, Steven Levine approached Peltier about buying out his investment in the
21 Company. Peltier reassured Steven Levine that his investment was best left in the
22 Company because they were working on a new strategy that could turn the
23 Company around. Based on this explanation from Peltier, Steven Levine decided to
24 stop negotiating for a buyout of his investment and continued to believe his
25 investment was secure.

26 272. Even as recently as June 2019, Peltier acknowledged Steven Levine’s
27 2.5% investment. Around that time, Peltier approached Steven Levine through a
28 text message and phone call about Community buying out Steven Levine’s 2.5%

1 interest. Peltier expressed that Defendants were making similar offers to all of its
2 early investors. Notably, in this conversation, Peltier failed to disclose anything
3 about the Company's recent successes, such as the \$35 million investment led by
4 Sound Ventures.

5 273. However, later in 2019, Defendants changed their position. They
6 denied that Steven Levine was an investor in the Company at all, let alone a 2.5%
7 interest holder. This was the first time Defendants ever communicated to Steven
8 Levine that they did not recognize him as a shareholder, let alone a 2.5%
9 shareholder.

10 274. The Company took the \$50,000 investment but Defendants have
11 refused to transfer to Steven Levine his shares in the Company without any
12 authority. Defendants have no right, title, or other valid interest in Steven Levine's
13 shares in the Company. The Defendants' misappropriation of Steven Levine's
14 shares constituted theft.

15 275. Defendants acted with the intent of depriving Steven Levine of his
16 rights and causing injury to him. Defendants knew that by taking Steven Levine's
17 investment and depriving him of his equity, they would cause him harm.

18 276. Defendants' conduct was the direct and proximate cause of Steven
19 Levine's damages in an amount to be determined but exceeding \$5 million.

20 277. Defendants conduct was despicable and subjected Steven Levine to
21 unjust hardship. The conduct was malicious, fraudulent and oppressive, and was
22 committed with a conscious disregard for Steven Levine's rights. Accordingly,
23 Steven Levine is entitled to an award of punitive or exemplary damages in an
24 amount sufficient to punish Defendants and to make an example of them.

25 278. As a result of the Company and Peltier's elder abuse, the Company and
26 Peltier are also liable for Steven Levine's reasonable attorneys' fees and costs
27 pursuant to WIC section 15657.5(a).
28

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully pray for judgment against Defendants,
as follows:

- (1) For general and consequential damages according to proof at trial;
- (2) For punitive damages;
- (3) For treble damages under California Penal Code section 496(c);
- (4) For attorneys’ fees;
- (5) For costs;
- (6) For prejudgment and post-judgment interest;
- (7) For rescission of the Stock Repurchase Agreements;
- (8) For specific performance conveying shares in the Company to Steven Levine reflecting his 2.5% interest in the Company;
- (9) For restitutionary damages;
- (10) For declaratory relief; and
- (11) For such other and further relief as the Court may deem just and proper.

DATED: August 20, 2020

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By: 

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DEMAND FOR JURY TRIAL

Plaintiffs hereby demand a jury trial.

DATED: August 20, 2020

MILLER BARONDESS, LLP

By: 

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