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**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA**

In re:
FRONT SIGHT MANAGEMENT LLC,
Debtor.

Case No. 22-11824-abl
Chapter 11

**Hearing Date: November 18, 2022
Hearing Time: 9:30 a.m.**

**OBJECTION OF THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS TO CONFIRMATION OF DEBTOR’S
SECOND AMENDED CHAPTER 11 PLAN OF REORGANIZATION**

The Official Committee of Unsecured Creditors (the “Committee”) of the above-captioned debtor and debtor-in-possession (the “Debtor”), by and through its undersigned counsel, files this objection (the “Objection”) to the *Debtor’s Second Amended Chapter 11 Plan of Reorganization* (the “Plan”).¹ In support of its Objection, the Committee submits the declaration of Eric A. Reubel (the “Reubel Declaration”), filed concurrently herewith. In further support of the Objection, the Committee respectfully states as follows:

...
...

¹ Docket No. 405. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

PRELIMINARY STATEMENT

1
2 1. Throughout this case, the Committee has remained supportive of the Debtor’s efforts
3 to emerge from bankruptcy as a viable business entity that provides members access to a responsible
4 firearms training facility. The Committee’s support, however, has been premised on the Debtor
5 providing fair value to unsecured creditors. The overwhelming majority of unsecured creditors are
6 members that have paid tens, if not hundreds, of thousands of dollars over the past 25 years in
7 membership fees, promotional upgrades, and reward benefits based upon consistent yet ultimately
8 unfulfilled promises from the Debtor and its principal, Ignatius Piazza, regarding the development
9 of the Front Sight property into a resort style destination. As alleged by a class of members in 2005,
10 by LVDF in its counterclaims against the Debtor, and by current members to this day, Piazza failed
11 to utilize revenues generated from members to fulfill these promises, instead extracting substantially
12 all the Debtor’s net income for his personal benefit.

13 2. The Debtor bears the burden of demonstrating that the value propositions set forth in
14 the Plan are fair, appropriate and proposed in good faith. Given the allegations raised by past and
15 present members, in addition to those raised by LVDF, the Committee conducted its own
16 investigation. Based on this investigation, the Debtor distributed more than \$41 million to Piazza
17 and the trusts he controls between 2012 and 2020, yet failed to advance the promised development
18 under the guise of failed funding, most recently from LVDF. While the Committee’s investigation
19 is ongoing, including a scheduled deposition of Piazza on November 14, 2022, these distributions,
20 together with the persistent, continued solicitation of membership funding under the false promise
21 of imminent development, give rise to colorable estate claims against Piazza for, among other things,
22 recovery of fraudulent transfers. The value of these claims, however, is not reflected in the
23 liquidation analysis put forth by the Debtor to demonstrate that unsecured creditors will fare better
24 under the Plan than they would in a liquidation.

25 3. Similarly troubling are the significant benefits Piazza will retain under the Plan,
26 including: (i) at least \$7 million under a consulting agreement that was supposed to be, but was not,
27 filed with the Court by October 21, 2022; (ii) 75% of any savings realized from the reconciliation of
28 the LVDF and Meacher claims; and (iii) a release of all estate claims which are being “acquired” by

1 PrairieFire. The delivery of this additional and significant value to Piazza when unsecured creditors
2 are slated to receive only a fractional recovery fundamentally violates the absolute priority rule,
3 rendering the Plan as currently proposed un-confirmable.

4 4. As noted, the Committee remains supportive of a viable exit strategy and has been,
5 and remains, available to discuss a reasonable settlement to address the Committee’s concerns. To
6 the extent the parties are unable to reach an appropriate settlement in advance of the confirmation
7 hearing, the Court should deny confirmation of the Plan as currently drafted. Instead, the Plan should
8 be revised to eliminate the value proposed for Piazza, including the release of estate claims against
9 Piazza, which should be transferred, along with the \$3 million, to a trust for the benefit of unsecured
10 creditors.

11 **BACKGROUND**

12 **I. General Background**

13 5. On May 24, 2022 (the “Petition Date”), the Debtor filed a voluntary petition for relief
14 under chapter 11 of the Bankruptcy Code with this Court. Since the Petition Date, the Debtor has
15 remained in possession of its assets and continued to operate and manage its business as a debtor-
16 in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

17 6. On June 9, 2022, the Office of the United States Trustee for Region 17 appointed a
18 five-member Committee consisting of: (i) Steven M. Huen; (ii) Gary Cecchi;
19 (iii) David Streck; (iv) Thomas E. Donaghy; and (v) ALM Investments LLC.²

20 7. The Committee selected Kelley Drye & Warren LLP as its lead counsel and Carlyon
21 Cica Chtd. as Nevada counsel. The Committee also selected Dundon Advisers, LLC as its financial
22 advisor.

23 **II. Events Leading to Bankruptcy**

24 8. Formed in 1996 by Ignatius Piazza (“Piazza”), the Debtor operates private firearms
25 training facilities, with its primary facilities located on 550 acres of owned real property in Pahrump,
26 Nevada (the “Property”).³

27 ² Docket No. 116.

28 ³ See *Omnibus Declaration of Ignatius Piazza in Support of First Day Motions* (the “First Day Declaration”), ¶ 4. Docket No. 21.

1 9. Piazza owns 1% of the voting shares of the Debtor and is the Debtors' sole manager.
2 The Debtor does not have a board of directors or any independent managers. Two trusts controlled
3 by Piazza, VNV Dynasty Tust – FS 1 and VNV Dynasty Trust – FS II (collectively, the "Piazza
4 Trusts") hold the remaining 99% of the Debtor's voting shares equally.

5 10. The Debtor operates its business through the sale of lifetime memberships, courses
6 and ancillary products.⁴ The Debtor's current operations consist of 50 outdoor firearms training
7 ranges, live fire tactical training simulators, an 8,000 square foot classroom and pro shop, and
8 assorted accessory buildings, bathrooms, three water wells and thousands of square yards of
9 completed grading for future development.⁵

10 11. The Debtor has been touting this "future development" since the late 1990s, which
11 centered around a plan to expand the Property into the "Front Sight Vacation Club & Resort," which
12 would include, among other things, vacation residences, an RV park and a retail area.⁶

13 12. Nearly 20 years later, in October 2016, the Debtor and LVDF entered into a
14 *Construction Loan Agreement*, pursuant to which LVDF purportedly agreed to secure
15 \$150 million via an EB-5 immigration investment plan to finance the development of the Property.
16 Ultimately, LVDF delivered only \$6.3 million of financing to the Debtor.⁷

17 13. In August 2018, the Debtor commenced litigation against LVDF in Clark County,
18 Nevada, asserting claims for, among other things, fraud in the inducement, intentional
19 misrepresentation, breach of fiduciary duty and conversion (the "LVDF Litigation").⁸

20 14. In response, LVDF filed a foreclosure action and asserted various counterclaims (the
21 "LVDF Counterclaims") against the Debtor and Piazza (among others). The LVDF Counterclaims
22 include, among others: (i) fraudulent transfer claims based on distributions from the Debtor to or for
23 the benefit of Piazza; (ii) claims for conversion based on Piazza allegedly misappropriating the
24

25 ⁴ *Id.* ¶ 11. The First Day Declaration states that lifetime memberships were sold at between \$250
26 to \$50,000. However, the Debtor has historically sold memberships at values in excess of
27 \$200,000.

⁵ *Id.* ¶ 6.

⁶ *Id.*

⁷ *Id.* ¶¶ 12, 15.

⁸ *Id.* ¶¶ 17, 18. On June 23, 2022, the Debtor removed the LVDF Litigation to this Court, which
28 is pending under Adv. Proc. No. 22-0111-abl (the "LVDF Adversary Proceeding").

1 LVDF loan proceeds; and (iii) claims for corporate waste based on Piazza allegedly inducing the
2 Debtor to improperly utilize the loan proceeds from LVDF.⁹

3 15. Following four years of contentious litigation, the Debtor asserted it no longer had
4 the resources to fund ongoing operations and stave off LVDF's foreclosure efforts. Accordingly,
5 the Debtor commenced this case on the eve of a foreclosure action by LVDF after failing to post a
6 \$9.7 million bond to secure a temporary restraining order.¹⁰

7 **III. The Bankruptcy Case and Original Chapter 11 Plan**

8 16. The Debtor filed this case seeking to consummate a plan of reorganization to
9 restructure its operations and allow it to exit chapter 11 as a viable business entity. To maintain
10 operations and finance this process, the Debtor secured \$5 million of senior, post-petition financing
11 from FS DIP, LLC (the "DIP Facility").¹¹

12 17. On July 1, 2022, the Court entered an order approving the DIP Facility (the "DIP
13 Order").¹² The DIP Order required the Debtor to adhere to certain milestones, including filing a
14 plan by July 15, 2022 and confirming a plan by November 29, 2022.¹³

15 18. In line with the DIP milestones, the Debtor filed its initial chapter 11 plan on July 15,
16 2022 (the "Original Plan").¹⁴ The Original Plan provided for Piazza to retain 100% of the equity of
17 the reorganized Debtor in exchange for an unidentified new value contribution.

18 19. The Original Plan was premised on a new business model that offered existing
19 members the option to enter into new membership agreements that would require annual and daily
20 fees for use of the facility, thereby generating a new source of income for the Debtor.

21 20. To test the feasibility of the Original Plan, Piazza requested feedback from existing
22 members on their willingness to pay for the continuation of their memberships. Unfortunately, the
23 tepid response was insufficient to support pursuing the Original Plan. The Debtor, therefore, pivoted
24 to the Plan currently before the Court.

25
26 ⁹ See *Plaintiffs Notice of Removal to United States Bankruptcy Court of Litigation Pending in the*
District Court of Clark County, Nevada, ¶¶ 3-6. Adv. Proc. No. 22-01111-abl, Docket No. 1.

27 ¹⁰ First Day Declaration, ¶ 20.

28 ¹¹ *Id.* ¶ 40.

¹² See Docket No. 228.

¹³ DIP Order, ¶ 16.

¹⁴ See Docket No. 270.

1 **IV. The Second Amended Plan**

2 21. On September 9, 2022, the Debtor filed an amendment to the Original Plan, which
3 was further amended on October 3, 2022 with the filing of the Plan. On October 21, 2022, the Debtor
4 filed a motion in support of confirmation of the Plan.¹⁵

5 22. The Plan provides for PrairieFire, an affiliate of FS DIP, LLC, to acquire 100% of
6 the equity of the Reorganized Debtor, as well as all preference claims and any claims and causes of
7 action against Piazza and the Piazza Trusts (the “Retained Causes of Action”).¹⁶ While touted as a
8 new equity contribution of \$24.775 million (the “New Equity Contribution”), PrairieFire and Piazza
9 will each receive significant value under the Plan.

10 23. The New Equity Contribution includes a \$15.1 million reserve for LVDF’s estimated
11 \$11.8 million claim and Meacher’s \$3.3 million claim, with up to \$1 million set aside to litigate such
12 claims. If the claims are allowed at amounts less than their applicable reserves, Piazza and
13 PrairieFire will share in any savings 75%/25%, respectively.¹⁷

14 24. Piazza is also to receive significant additional value under a new consulting
15 agreement with the Reorganized Debtor, which has yet to be filed despite a Court-imposed October
16 21 deadline.¹⁸ Instead, the Debtor filed a three page term sheet summarizing the agreement, which
17 includes Piazza’s base compensation of \$700,000 per year for a period of not less than ten years.¹⁹
18 The base compensation is exclusive of a “contingent payout” referenced in the term sheet, but which
19 is similarly not disclosed.²⁰

20 25. Importantly, “as additional consideration for the services to be provided under the
21 consulting agreement,” the term sheet also provides that PrairieFire will release the Retained Causes
22 of Action against Piazza and the Piazza Trusts (the “Insider Release”).²¹

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25 ¹⁵ See Debtor’s Motion for Confirmation of Debtor’s Second Amended Chapter 11 Plan of
Reorganization (the “Motion”). Docket No. 439.

26 ¹⁶ Second Amended Plan, § III.D.7.

27 ¹⁷ *Id.* § IV.C.1.

28 ¹⁸ The order approving the Disclosure Statement required the Debtor to file the consulting
agreement with the Plan Supplement by no later than October 21, 2022. See Docket No. 403.

¹⁹ See Supplement to Second Amended Plan of Reorganization, Exhibit 1 – Term Sheet. Docket No.
445

²⁰ *Id.*

²¹ *Id.*

1 26. In contrast to the significant value to be received by Piazza under the Plan, holders
2 of general unsecured claims will receive their *pro rata* share of \$3 million, less the cost of
3 prosecuting objections to claims filed in excess of \$74 billion to date, as well as claims that continue
4 to be filed daily.²²

5 27. In support of the Plan, the Debtor filed, among other things, a liquidation analysis
6 (the “Liquidation Analysis”) and declaration of Piazza in support of confirmation (the “Piazza Plan
7 Declaration”).²³ The Piazza Plan Declaration estimates unsecured creditor recoveries of
8 approximately 10% to 30%.²⁴ This is premised on the \$10 million to \$30 million estimate of allowed
9 general unsecured claims set forth in the Debtor’s approved disclosure statement (the “Disclosure
10 Statement”).²⁵

11 28. The Liquidation Analysis concludes that unsecured creditor recoveries in a chapter 7
12 liquidation would range from 0% to 9.5%.²⁶ The Piazza Plan Declaration states that the Liquidation
13 Analysis includes a statement of all assets.²⁷ The Liquidation Analysis, however, summarily
14 ascribes a range of \$19 million to \$22.5 million for “Distributable Value.”²⁸ Note 1 to the
15 Liquidation Analysis generically provides that the Debtor’s Property comprises the overwhelming
16 majority of recoverable value and assumes the \$19 million PrairieFire stalking horse bid constitutes
17 the low recovery scenario.²⁹

18 29. The Liquidation Analysis fails to explain its high range recovery or include any
19 discussion of the Debtor’s consideration of any other assets other than the Property. Such other
20 assets include intellectual property and customer lists valued in the Debtor’s schedules for “at least
21 \$1,000,000.”³⁰ The Liquidation Analysis is also devoid of any discussion regarding the Debtor’s
22 analysis of the Retained Causes of Action, which are being acquired by PrairieFire and will be
23 released pursuant to the terms of the Piazza consulting agreement.

24 _____
25 ²² Plan, § IV.C.3.

²³ See Docket Nos. 406, 441.

²⁴ Piazza Plan Declaration, ¶ 19.

²⁵ Docket No. 406 at 6, 44–45.

²⁶ See Disclosure Statement, Exhibit C – Liquidation Analysis.

²⁷ Piazza Plan Declaration, ¶ 18.

²⁸ See Disclosure Statement, Exhibit C – Liquidation Analysis.

²⁹ *Id.* at 2.

³⁰ See Docket No. 137.

1 **V. Historic Claims Against Piazza and The Committee Investigation**

2 30. In light of the allegations raised in the LVDF Counterclaims, as well as the
3 Committee’s mandate under the Bankruptcy Code, the Committee undertook an investigation into
4 potential estate claims and causes of action that could be asserted against Piazza and the Piazza
5 Trusts.

6 **A. The 2005 Action**

7 31. In 2005, a class of former members filed an action (the “Class Action”) against the
8 Debtor and Piazza (among others), alleging a fraudulent scheme dating back to 1997 pursuant to
9 which Piazza touted his plan to develop the Property and engaged in a “Ponzi scheme” in which he
10 misled the plaintiffs into purchasing various tiers of memberships by falsely representing the
11 trajectory of the planned development. A copy of the *First Amended Class Action Complaint For*
12 *Violations of the Racketeering Influenced and Corrupt Organizations Act and California Consumer*
13 *Protection Laws* (the “Class Complaint”) is attached as Exhibit A.

14 32. The Class Complaint generally alleged the defendants used false and misleading
15 statement to sell memberships and then illegally diverted money obtained from class members to
16 Piazza for his personal use and self-aggrandizement.³¹ Notably, the plaintiffs alleged that in or about
17 1997, the defendants closed on the Property and commenced a plan to develop a “resort style, first
18 class training facility” for gun enthusiasts.

19 The plan included nine training ranges, live-fire simulator ranges, a five story
20 SWAT tower, a 5,000 square foot indoor video training simulator building, a
21 defensive driving track, a 7,200 square foot armory and gun-smithing facility, a
22 pro shop, a 7,200 square foot classroom, an administrative building, a maintenance
23 building, five on-site homes for staff, RV parking, a 1,000 yard rifle range, 4,500
24 square foot air strip, four private training ranges, a 7,200 square foot marshal art’s
gymnasium, a 900 square yard celebrity training facility, and a complete
residential community with a commercial/retail center, community center, a
private kindergarten through 12th grade school, 350 condominiums and 177 one-
acre luxury home site.³²

25 33. The Class Complaint further alleged that defendants violated State and Federal
26 Securities laws by selling “memberships” in the resort in varying amounts, with initial prices of
27 \$8,900 for “Copper Memberships,” \$23,000 for “Bronze Memberships,” \$90,000 for “Silver

28 ³¹ Class Complaint ¶ 1.

³² *Id.* ¶ 27.

1 Memberships,” and \$300,000 for “Platinum Memberships.” Each of the memberships provided
2 access to certain courses free of charge, with Silver and Platinum Memberships providing access to
3 all offered courses in perpetuity. The 177 Platinum Memberships also included a one-acre home
4 site in the resort.³³

5 34. The Class Complaint also asserted that defendants continued issuing glowing reports
6 to the public and members of the class, touting Front Sight as growing, with increased profits each
7 year, and at various times publishing reports that outside investors were interested in fully funding
8 the resort so “new members should purchase immediately so they can get the membership before
9 prices go up.”³⁴

10 35. The plaintiffs argued that notwithstanding these reports, the defendants failed to
11 disclose that memberships were not being sold at a rate, or dollar amount, sufficient to proceed with
12 the development plan and the Debtor was in fact unable to timely pay wages and other obligation.³⁵
13 Instead, when Piazza needed money, he would offer a “new deal,” always claiming to be an
14 “exchange in abundance” and providing false reasons for requiring a prompt response, such as
15 imminent full funding from an outside source or an imminent price increase.³⁶

16 36. Ultimately, the Class Complaint alleges:

17 Piazza, in his scheme to extract as much money as possible out of Americans who
18 believe strongly in their Constitutional Right to Bear Arms, and in their right and
19 need to protect their families, systematically identified victims based on the amount
of money they had to spend, and once he pillaged all he could from one tier, he
dropped to the next tier and repeated the scheme.³⁷

20 In order to keep the scheme hidden, it was alleged that Piazza took a fraction of the monies raised
21 and completed at least some project each year, giving the appearance that some development was
22 progressing. However, from at least 1999, Piazza and the Debtor maintained numerous bank
23 accounts. Money would be withdrawn from one account and deposited in other accounts, but always
24 in lesser amounts, with the diverted funds going to Piazza’s personal accounts.³⁸

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26 ³³ *Id.* ¶ 28.

27 ³⁴ *Id.* ¶ 30.

28 ³⁵ *Id.* ¶ 33.

³⁶ *Id.* ¶ 34.

³⁷ *Id.* ¶ 35.

³⁸ *Id.* ¶¶ 36-37.

1 37. The plaintiffs further alleged that in order to perpetuate the scheme, Piazza and the
2 Debtor made ongoing misrepresentations regarding the status of the Debtor and the ongoing
3 development, including statements regarding the imminent completion of various phases of the
4 development, the full funding of the resort, the negotiation of outside funding and the existence of
5 “nearly 100 million dollars of untapped profits that can be realized from a fully secured capital
6 improvement investment in Front Sight Resort and Master Planned Community.”³⁹

7 38. While Piazza and the Debtor disputed the allegations set forth in the Class Complaint,
8 the action was settled in 2008 for \$8.05 million, which was eventually satisfied by the Debtor.⁴⁰

9 **B. The Committee Investigation**

10 39. Given the now 20+ year failure of the Debtor to make any meaningful progress with
11 respect to the planned resort, the allegations set forth in the Class Complaint, and the allegations
12 raised by LVDF in the LVDF Counterclaims, the Committee undertook an investigation into
13 potential estate claims and causes of action that could be asserted against Piazza and the Piazza
14 Trusts.

15 40. The Committee initially requested the Debtor provide information regarding Piazza’s
16 contributions and distributions to Piazza and the Piazza Trusts. The Debtor provided the Committee
17 an initial analysis regarding distributions from May 2018 through
18 May 2022 which concluded that insider contributions during this period exceeded distributions and
19 other payments by \$2 million.

20 41. However, as discussed in further detail below, the estate is entitled to the benefit of a
21 10-year lookback period, given the existing claim of the Internal Revenue Service (the “IRS”) and
22 the right to “step into the shoes” of the IRS. As a result, the Committee requested further detail
23 regarding distributions dating back to 2012.

24 42. Based on the information received by the Committee to date, as more fully set forth
25 in the Reubel Declaration, the Debtor generated \$41.2 million of net taxable income from 2012
26 through 2020, all of which was distributed to Piazza and the Piazza Trusts.⁴¹ Even assuming that

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28 ³⁹ *Id.* ¶¶ 46-47.

⁴⁰ *See Satisfaction of Judgment*, a copy of which is attached hereto as Exhibit B.

⁴¹ *See Reubel Declaration*, ¶ 17.

1 Piazza utilized a portion of these distributions to satisfy tax obligations resulting from his gain related
2 to the Debtor’s income generation, assuming a 40% tax rate, Piazza retained approximately \$25
3 million from 2012 through 2020.⁴²

4 43. Contrasting the amounts distributed to Piazza and the Piazza Trusts with the lack of
5 progress on the continued development of the Front Sight facilities and resort, the Committee
6 undertook an investigation into whether Piazza and the Debtor continued to engage in the type of
7 conduct alleged in the Class Complaint and the LVDF Counterclaims, which might give rise to
8 fraudulent transfer or other similar claims that would generate superior recoveries for unsecured
9 creditors.

10 44. While the Committee’s investigation is ongoing, including the continued production
11 of information and correspondence with members, as well as a scheduled deposition of Piazza in
12 advance of the confirmation hearing, it is clear that Piazza and the Debtor continued a pattern of
13 conduct that raises significant questions as to whether unsecured creditors are receiving sufficient
14 value under the Plan to justify the ultimate sale and release of estate claims against Piazza and the
15 Piazza Trusts.

16 45. First, rather than use the Debtor’s income stream to develop the Property in line with
17 the representations being made to its members, Piazza received \$41.2 million of distributions
18 without a corresponding reinvestment into the business. Instead, the Debtor proceeded with the
19 highly speculative lending facility with LVDF. When LVDF financed only a small fraction of the
20 \$150 million envisioned, Piazza embarked on four years of scorched-earth litigation, which
21 ultimately led to the commencement of this case. Had Piazza used income generated from the
22 business to finance the development, the Debtor could have avoided the risk and expense associated
23 with seeking relief under chapter 11 of the Bankruptcy Code.

24 46. Second, the Debtor and Piazza continued to solicit new memberships, and new
25 membership classes, based on the promise of future development and unrealistic returns on the
26 membership “investments.” This included seemingly endless offers of new membership categories,
27 family benefits, supplements and promotional offers related to memberships, credits and Front Sight
28

⁴² See Reubel Declaration, ¶ 18.

1 bucks with outlandish value multipliers, all with the promise of future benefits and trade in value
2 that never materialized.

3 47. Third, Piazza and the Debtor continued marketing one-acre property interests,
4 promises that those property interests would be worth up to \$1 million and the right to trade current
5 benefits for club villas.

6 48. Fourth, Piazza and the Debtor made ongoing promises regarding development and
7 expectations of project completion going back to 2013, as well as representations that development
8 was being funded through ongoing cash flow. Indeed, in the days prior to filing this Objection, the
9 Committee received numerous emails from members raising these same concerns.⁴³

10 49. These facts, taken together, raise serious questions regarding a continuing scheme to
11 defraud members by inducing them to purchase memberships, membership upgrades and other
12 offerings with continued promises regarding the imminent development of the Property.

13 **OBJECTION**

14 50. Section 1129(a) of the Bankruptcy Code provides that “[t]he court shall confirm a
15 plan only if it complies with all of the applicable requirements” of section 1129(a) of the Bankruptcy
16 Code.⁴⁴ The Debtor bears the burden of proof with respect to the confirmation requirements by a
17 preponderance of the evidence.⁴⁵

18 51. The Debtor fails to carry this burden because the Plan: (i) fails to allocate appropriate
19 value to general unsecured creditors; (ii) violates the absolute priority rule;
20 (iii) proposes an improper release of Piazza; (iv) artificially impairs the mechanics lien claims; and
21 (v) does not satisfy the “feasibility” requirement of section 1129(a)(11) of the Bankruptcy Code.
22 Unless such infirmities are corrected as more fully set forth herein, the Plan may not be confirmed.

23 **I. The Plan Provides Insufficient Value For Unsecured Creditors**

24 52. Commonly referred to as the “best interests test,” section 1129(a)(7) of the
25 Bankruptcy Code requires that, with respect to each impaired class of claims or interests, each
26 individual holder of a claim or interest has either accepted the plan or will receive or retain property
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28 ⁴³ A sample of one of these emails is attached hereto as Exhibit C.

⁴⁴ 11 U.S.C. § 1129(a).

⁴⁵ *In re Lavilla*, 425 B.R. 572, 576 (Bankr. E.D. Cal. 2010).

1 having a present value, as of the plan effective date, of not less than what such holder would receive
2 if the debtor were liquidated under chapter 7 of the Bankruptcy Code.⁴⁶ The Debtor maintains that
3 the “best interests test” is satisfied because the Liquidation Analysis demonstrates that the best case
4 scenario is for general unsecured creditors to receive 9.5% of their claims in a chapter 7 liquidation,
5 as compared to 10% to 30% under the Plan.⁴⁷ The Debtor, however, fails to accurately project what
6 unsecured creditors will receive under the Plan and submits a deficient Liquidation Analysis that
7 fails to ascribe any value to estate claims against Piazza and the Piazza Trusts.

8 53. The Debtor’s assertion that unsecured creditors will receive 10% to 30%
9 under the Plan is implausible. First, unsecured creditors will not receive a *pro rata* share of
10 \$3 million. The \$3 million allocated for unsecured creditors includes the cost of reconciling and
11 prosecuting objections to claims. The amount available for unsecured creditors, therefore, will
12 necessarily be less. Given the amount of claims asserted by unsecured creditors, the costs of
13 reconciliation could be significant, yet the Debtor provides no estimate of such costs.

14 54. The Debtor’s projected recoveries also assume the Debtor will successfully object to
15 the more than \$74 billion of filed claims, resulting in an allowed claims pool of
16 \$10 million to \$30 million. While the Committee acknowledges that the claims pool is overstated,
17 the estate has significant work to do to achieve the Debtor’s projections. Accordingly, the notion
18 that unsecured creditors will receive distributions of up to 30% is illusory.

19 55. Further, the Liquidation Analysis is deficient, failing to ascribe any value to the
20 Retained Causes of Action. Despite the Debtor’s assertions to the contrary, the estate is not limited
21 to a four year lookback period under Nevada law. Rather, section 544(b) authorizes a debtor to step
22 into the shoes of any unsecured creditor to avoid a transfer the creditor could avoid under applicable
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28 ⁴⁶ 11 U.S.C. § 1129(a)(7).

⁴⁷ Motion, at 15.

1 law.⁴⁸ To that end, several courts have held that a trustee can “step into the shoes” of the IRS under
 2 section 544(b) to avoid transfers under a longer lookback period.⁴⁹

3 56. Here, the IRS is a current creditor of the Debtor.⁵⁰ Pursuant to
 4 Section 6502 of the Internal Revenue Code, the IRS may collect taxes either by levy or by court
 5 proceeding initiated within ten years of the tax assessment.⁵¹ In turn, section 6901(a) of the Internal
 6 Revenue Code allows collection from transferees of the taxpayer “subject to the same limitations”
 7 applicable to collection from the taxpayer.⁵² This includes the right to avoid transfers under state
 8 law without being bound by the applicable state statute of limitations.⁵³ Accordingly, the Debtor
 9 can step into the shoes of the IRS to extend the lookback period under the Internal Revenue Code.

10 57. As set forth in the Reubel Declaration, the Debtor generated \$41.2 million of net
 11 taxable income from 2012 through 2020, all of which was distributed to Piazza and the Piazza
 12 Trusts.⁵⁴ Even assuming a portion of these distributions were used to fund tax payments on the net
 13 income generated by the Debtor at a 40% rate, Piazza retained approximately
 14 \$25 million during this same time period.⁵⁵

15 58. As set forth above, these distributions, and the historical and ongoing actions of
 16 Piazza and the Debtor in relation to the Debtor’s members, and the continued promise of the
 17 development of the Front Sight resort, demonstrate a pattern of conduct giving rise to colorable
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20 ⁴⁸ See 11 U.S.C. § 544(b).

21 ⁴⁹ See *Hillen v. City of Many Trees, LLC (In re CVAH, Inc.)*, 570 B.R. 816, 844 (Bankr. D. Idaho
 22 2017) (authorizing the trustee to “step into the shoes” of the IRS under the Federal Debt
 23 Collection Procedures Act and Internal Revenue Code to extend the state lookback period);
 24 *Pereira v. Omansky (In re Omansky)*, 2022 WL 4281472 (Bankr. S.D.N.Y. Sept. 15, 2022)
 (allowing trustee to invoke the IRS’s lookback period of ten years); *In re Gaither*, 595 B.R. 201
 (Bankr. D.S.C. 2018) (same); *Mukamal v. Citibank N.A. (In re Kipnis)*, 555 B.R. 877 (Bankr.
 S.D. Fla. 2016) (same); *Ebner v. Kaiser (In re Kaiser)*, 525 B.R. 697 (Bankr. N. D. Ill. 2014)
 (same); *In re Emergency Monitoring Technologies, Inc.*, 347 B.R. 17 (Bankr. W. D. Pa. 2006)
 (same); *In re Porras*, 312 B.R. 81 (Bankr. W. D. Tex. 2004) (same).

25 ⁵⁰ The IRS has submitted to proofs of claim in this case (Claims 179 and 556), each in the amount
 of \$160,528.62.

26 ⁵¹ See I.R.C. § 6502.

27 ⁵² See I.R.C. § 6901;

28 ⁵³ *In re Kipnis*, 555 B.R. at 878 (the “IRS may pursue collection of taxes for ten years from the
 assessment date and its collection remedies include the right to avoid transfers under state law
 without being bound by state statutes of limitations.”).

⁵⁴ See Reubel Declaration, ¶ 17.

⁵⁵ See Reubel Declaration, ¶ 18.

1 claims of potentially significant value. The Debtor, however, ascribes no value to the Retained
2 Causes of Action.

3 59. The Committee further questions the valuation set forth in the Liquidation Analysis.
4 In connection with the DIP financing fight, the Court valued the Debtor's assets at \$22.34 million,
5 which included a "conservative" valuation of the Property at \$18 million plus other scheduled assets
6 of \$4.34 million.⁵⁶ Using this conservative value, the net recovery from Retained Causes of Action
7 would need to exceed only \$160,001 to generate a superior recovery for unsecured creditors, less
8 than 0.5% of the distributions to Piazza and the Piazza Trusts.

9 60. Taken together, there are significant deficiencies with the Liquidation Analysis that
10 if rectified would show that unsecured creditors fare better in a liquidation than under the Plan. The
11 Plan, therefore, must be modified to increase the value available for unsecured creditors. Further,
12 as the Reorganized Debtor has no stake in the ultimate distribution to holders of allowed general
13 claims, the Debtor should not be authorized to oversee the claims reconciliation process. A
14 liquidating trust should be established to prosecute objections to claims and ultimately make
15 distributions to unsecured creditors.

16 **II. The Plan Violates The Absolute Priority Rule**

17 61. If all the provisions of section 1129(a) are established, except for section 1129(a)(8),
18 the Plan can only be confirmed pursuant to section 1129(b), which requires that the Plan: (1) is fair
19 and equitable, and (2) does not discriminate unfairly.⁵⁷ A plan is fair and equitable with respect to
20 an unsecured creditor class if junior classes of creditors and equity holders do not receive or retain
21 any property under the plan, unless the unsecured creditor class is paid in full.⁵⁸

22 62. The Plan, however, provides significant value to Piazza. As unsecured creditors are
23 receiving only a fractional recovery on account of their allowed claims, Piazza's retention of any
24 value under the Plan, particularly value that should be preserved for the benefit of unsecured
25 creditors, is improper and violates the absolute priority rule.

26 ⁵⁶ See *In re Front Sight Management LLC*, Case No. 22-11824-abl, *Transcript of Oral Ruling*, at
27 37 – 38 (Bankr. D. Nev. June 28, 2022) (“[F]inds the \$18 million figure a conservative one in
light of the other appraisal evidence that's on the record, whether it's old or new.”). Excerpts
28 from the transcript are attached hereto as Exhibit D.

⁵⁷ 11 U.S.C. § 1129(b).

⁵⁸ 11 U.S.C. § 1129(b)(2).

63. As set forth in greater detail above, Piazza is entitled to significant value under the Plan. First, the Plan provides for Piazza to receive 75% of any savings resulting from the reconciliation of the LVDF and Meacher claims. Any such value should instead be distributed to unsecured creditors. The claims being asserted against Meacher and LVDF are estate claims and causes of action, the value of which must flow to unsecured creditors before equity. Second, Piazza will receive at least \$7 million on account of the yet-to-be-filed consulting agreement, which includes the added benefit of a complete release of Piazza. Third, rather than retain such claims for the benefit of unsecured creditors, the Plan provides for PrairieFire to acquire such claims and for Piazza to obtain a complete release. These too are estate claims the value of which must flow to unsecured creditors before equity. Each of these benefits, both monetary and non-monetary, result in Piazza receiving inappropriate value ahead of general unsecured creditors in violation of the absolute priority rule.

III. The Insider Release Is Impermissible

64. Rather than provide unsecured creditors appropriate value, the Plan provides for an indirect release of claims against Piazza and the Piazza Trusts. Although a debtor's release of claims against third-parties is not *per se* impermissible, such a release can only be approved if it represents a valid exercise of the debtor's business judgment and satisfies the fair, reasonable and adequate standard set forth in *Martin v. Kane (In re A & C Props.)*, 784 F.2d 1377, 1381 (9th Cir. 1986).⁵⁹

The factors courts consider in determining whether that standard has been met include:

- (a) The probability of success in the litigation;
- (b) The difficulties, if any, to be encountered in the matter of collection;
- (c) The complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and
- (d) The paramount interest of the creditors and a proper deference to their reasonably views in the premises.⁶⁰

The Debtor and PrairieFire have the burden of proving that the Insider Release is fair and equitable.⁶¹

65. Neither the Debtor nor PrairieFire have put forth any evidence that the Insider Release is appropriate in light of these factors. Rather, the Debtor and PrairieFire have merely

⁵⁹ See *In re PG & E Corp.*, 617 B.R. 671, 683 (Bankr. N.D. Cal. 2020).

⁶⁰ *Martin v. Kane (In re A & C Props.)*, 784 F.2d 1377, 1381 (9th Cir. 1986)

⁶¹ *Id.*

1 asserted that the Insider Release is an important component of the transaction. That statement,
2 without more, does not meet the burden of proof under controlling law.

3 66. As set forth above, there are colorable estate claims that could provide meaningfully
4 enhanced value for unsecured creditors above the \$3 million proposed under the Plan. Rather than
5 allow an estate representative to pursue such claims, the Debtor has unilaterally agreed to dispose of
6 them without fair consideration. The Committee, as the representative for all unsecured creditors,
7 opposes the Insider Release. Further, while the tabulation results will not be filed until November
8 11, in light of the creditor correspondence the Committee has received in recent days, the Plan is
9 unlikely to be supported by an overwhelming majority of creditors for many of the same concerns
10 raised herein. For these reasons, the proposed Insider Release should not be approved. The Retained
11 Causes of Action should be transferred to a post-confirmation trust to be pursued for the benefit of
12 unsecured creditors.

13 **IV. The Debtor's Artificial Impairment of Classes is Inappropriate**

14 67. Artificial impairment occurs when a plan imposes an insignificant or *de minimis*
15 impairment on a class of claims to qualify those claims as impaired under section 1124 of the
16 Bankruptcy Code.⁶² Although artificial impairment is not *per se* impermissible, the Ninth Circuit
17 has recognized that it goes to a determination of whether a plan has been proposed in good faith
18 under section 1129(a)(3).⁶³ Further, “‘artificial impairment’ is a form of gerrymandering and when
19 abusively used is held to be antithetical to the good faith which must be at the center of any
20 reorganization effort.”⁶⁴

21 68. In an effort to ensure an impaired consenting class, the Plan propose to pay M2 EPC's
22 \$110,000 claim and Top Rank's \$15,000 claim in monthly installments over a period of eleven and
23 three months, respectively.⁶⁵ The Debtor, however, has provided no business justification for the
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25 ⁶² *In re Hotel Associates of Tucson*, 165 B.R. 470, 474 (B.A.P. 9th Cir. 1994) (discussing the broad
26 concept of impairment and how a plan proponent has used impairment to create a slightly
impaired class to vote on the plan in order to enhance its own position).

27 ⁶³ *L & J Anaheim Associates v. Kawasaki Leasing International, Inc. (In re L & J Anaheim
Associates)*, 995 F.2d 940, 943 n.2 (9th Cir. 1993) (noting the belief that abuses on the part of a
28 plan proponent to artificially impair a class should be addressed by “denying confirmation on
the grounds that the plan has not been ‘proposed in good faith.’”).

⁶⁴ *In re NNN Parkway 4026, LLC*, 505 B.R. 277, 285 (B.A.P. 9th Cir. 2014) (collecting cases).

⁶⁵ Plan, § III.C.1.

1 need to pay these relatively insignificant claims over several months. The only reasonable
2 conclusion is to help ensure an impaired accepting class.

3 69. This is apparent when considering the fact that the only other impaired class in the
4 Original Plan was the class of unsecured creditors. Given the likely concern by the Debtor that
5 unsecured creditors would vote to reject the Plan, the Debtor needed an impaired accepting class to
6 comply with section 1129(a)(10) of the Bankruptcy Code.⁶⁶ When viewed in this way, the artificial
7 impairment of the mechanics lien claims is clear. In light of this, the Debtor has not satisfied the
8 requirement that the Plan has been proposed in good faith.⁶⁷

9 **V. The Debtor Has Not Demonstrated That The Plan Is Feasible**

10 70. Section 129(a)(11) of the Bankruptcy Code provides that a court may confirm a plan
11 of reorganization only if “[c]onfirmation of the plan is not likely to be followed by the liquidation,
12 or the need for financial reorganization, of the debtor or any successor to the debtor under the plan,
13 unless such liquidation or reorganization is proposed in the plan.”⁶⁸ The Debtor carries the burden
14 of proving this requirement by a preponderance of the evidence.⁶⁹

15 71. The Debtor has failed to meet this burden on several fronts. First, the Debtor
16 misstates the feasibility standard, maintaining that it is required to show only that (a) the Debtor will
17 have sufficient cash on the Effective Date to satisfy the payments required to be made under the
18 Plan, and (b) that there will be enough cash over the life of the Plan to make the required payments.⁷⁰
19 This does not comport with section 1129(a)(11) of the Bankruptcy Code.

20 72. In evaluating the feasibility of a plan, the Ninth Circuit’s Bankruptcy Appellate Panel
21 has directed courts to consider: (1) the adequacy of the capital structure; (2) the earning power of

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23 ⁶⁶ See 11 U.S.C. § 1129(a)(10) (“If a class of claims is impaired under the plan, at least one class
of claims that is impaired under the plan has accepted the plan...”).

24 ⁶⁷ 11 U.S.C. § 1129(a)(3).

25 ⁶⁸ 11 U.S.C. § 1129(a)(11).

26 ⁶⁹ *In re Las Vegas Monorail Co.*, 462 B.R. 795 (Bankr. D. Nev. 2011); see also *In re Seasons
Partners, LLC*, 439 B.R. 505 (Bankr. D. Ariz. 2010) (“Every debtor is required to present ‘ample
evidence to demonstrate that the Plan has a reasonable probability of success.’”) (*quoting In re
Acequia, Inc.*, 787 F.2d 1352, 1364 (9th Cir. 1986)).

27 ⁷⁰ See Motion, at 17-18. In response to the Debtor’s faulty recitation of the law, it makes the
28 following conclusory statements: (i) the Debtor will have enough Cash to pay all the claims and
expenses which are entitled to be paid on the Effective Date by virtue of the New Equity
Contribution; and (ii) the Plan will be fully funded on the Effective Date, so the Debtor does not
need to show whether there will be enough cash over the life of the Plan.

1 the business; (3) economic conditions; (4) the ability of management; (5) the probability of the
2 continuation of the same management; and (6) any other related matters which determine the
3 prospects of a sufficiently successful operation to enable performance of the provisions of the plan.⁷¹

4 73. As set forth in the Committee’s disclosure statement objection, the Debtor fails to put
5 forth financial projections or other information to assess the future viability of the business. Nor is
6 there any information regarding whether the \$700,000 allocated for go-forward operating expenses
7 is sufficient. Finally, although PrairieFire proposes significant investments in the business, there is
8 no information regarding how it intends to finance such investment. Absent such information, the
9 Debtor has failed to satisfy its burden that the Plan is feasible in accordance with section 1129(a)(11)
10 of the Bankruptcy Code.⁷²

11 **RESERVATION OF RIGHTS**

12 74. The Committee reserves the rights to supplement this Objection at or prior to the
13 hearing on the Plan.

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26 ⁷¹ *In re Wiersma*, 324 B.R. 92 (B.A.P. 9th Cir. 2005), *aff’d in part and rev’d in part on other*
grounds, 483 F.3d 933 (9th Cir. 2007).

27 ⁷² *See In re Las Vegas Monorail Co.*, 462 B.R. 795, 798 (Bankr. D. Nev. 2011) (holding that the
28 debtor failed to satisfy burden of showing “feasibility” of proposed plan because its own
projections failed to show sufficient cash flow to fund and maintain both debtor’s operations and
obligations).

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CONCLUSION

WHEREFORE, the Committee respectfully requests that the Court deny the Motion and provide such further relief as is just and proper.

CARLYON CICA CHTD.

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EXHIBIT “A”

EXHIBIT “A”

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12 Attorneys for Plaintiffs

13 UNITED STATES DISTRICT COURT
14 NORTHERN DISTRICT OF CALIFORNIA
15 SAN JOSE DIVISION

16 STACY JAMES, WILLIAM HAAG and
17 MICHAEL SCHRIBER, Individually, On Behalf of
18 All Others Similarly Situated and On Behalf of the
19 General Public,

20 Plaintiffs,

21 vs.

22 IGNATIUS A. PIAZZA, FRONT SIGHT
23 MANAGEMENT INCORPORATED dba FRONT
24 SIGHT FIREARMS TRAINING INSTITUTE,
25 MICHAEL MEACHER and BRAD ACKMAN,

26 Defendants.

) Case No. C05-04532 JW

) FIRST AMENDED CLASS
) ACTION COMPLAINT FOR
) VIOLATIONS OF THE
) RACKETEERING INFLUENCED
) AND CORRUPT
) ORGANIZATIONS
) ACT AND CALIFORNIA
) CONSUMER PROTECTION
) LAWS

) JURY TRIAL DEMANDED

27 Plaintiffs Stacy James, William Haag and Michael Schriber, individually, on
28 behalf of all others similarly situated and on behalf of the general public, by and through
their attorneys, allege the following based upon personal knowledge as to themselves and
their own acts, and on information and belief as to all other matters, based upon, *inter*
alia, the investigation conducted by and through their attorneys:

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INTRODUCTION AND OVERVIEW OF THE ACTION

1. This is a class and private Attorney General action brought under the Federal Racketeering and Corrupt Organizations Act (“RICO”) and California consumer protection laws, on behalf of the purchasers of “First Family Memberships” marketed and sold by Defendant Front Sight Management Incorporated, doing business as Front Sight Firearms Training Institute. Plaintiffs allege that the defendants used false and misleading statements in order to sell the memberships. Plaintiffs further allege that Defendant Piazza illegally diverted money obtained from plaintiffs and members of the class, as well as money from a bank loan using Front Sight property as security, for his personal use and self aggrandizement, thus causing harm to plaintiffs and members of the class. By this Complaint plaintiffs seek to enjoin the defendants from continuing to market and advertise Front Sight Memberships in ways that violate State and Federal laws, and to recover compensatory damages, punitive damages, restitution and/or disgorgement of the defendants’ improper gains.

JURISDICTION AND VENUE

2. Plaintiffs bring this class action pursuant to §1964(c) of RICO, 18 U.S.C. §1964(c); California's Fraudulent Transfer Act, Cal. Civ. Code §3439.01, et seq.; and the common law of civil conspiracy. This Court has subject matter jurisdiction over this class action, and the claims asserted herein, pursuant to 18 U.S.C. §1964(c) and 28 U.S.C. §1367.

3. Pursuant to Fed. R. Civ. P. 4(k)(1)(A) and (D), this Court has personal jurisdiction over each of the defendants because:

a. defendants either reside or have their principal place of business in this judicial district, or pursuant to the California "long-arm" statute, California Civil Code §410.10, each of the defendants has maintained deliberate minimum contacts with the

1 State of California and/or each of the defendant's activities in this State has been so
2 continuous and systematic that such defendant may be said to be present here; and/or

3 b. pursuant to §1965(b) of RICO, 18 U.S.C. §1965(b), this Court has
4 personal jurisdiction over defendants Piazza and Front Sight Management Incorporated,
5 and there is no other district in which a court would have personal jurisdiction over all of
6 the potential co-conspirators.

7 4. Venue is properly laid in this District pursuant to 18 U.S.C. §1965 and 28
8 U.S.C. §1391 because many of the wrongful acts alleged herein, including the
9 dissemination of materially false and misleading information, occurred in this District. In
10 addition, defendants transacted substantial business in this District, including the sale of
11 memberships, as described herein, during the class period.

12 5. In connection with the acts alleged in this First Amended Complaint,
13 defendants directly and indirectly used the means and instrumentalities of interstate
14 commerce, including the U.S. mail, interstate wire communications, and interstate travel.

15 **THE PARTIES**

16 6. Plaintiff Stacy James (“Plaintiff James”) is, and at all times relevant was, a
17 resident of San Diego, California. In or about June 2000, Plaintiff James purchased a
18 Copper First Family Membership for \$5,900. In or about January 2001, Plaintiff James
19 satisfied the payment plan approved by Defendant Piazza for an additional \$ 44,100, and
20 was issued a Silver First Family Membership.

21 7. Plaintiff William Haag (“Plaintiff Haag”) is a resident of Nye County
22 Nevada. In or about July 2000, Plaintiff Haag purchased a Platinum First Family
23 Membership for \$175,000. At the time he purchased the Platinum Membership, Plaintiff
24 resided in Washoe County, Nevada.

25 8. Plaintiff Michael Schriber (“Plaintiff Schriber”) is, and at all times relevant
26 was, a resident of San Diego, California. In or about November 2000, Plaintiff Schriber
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1 purchased a Bronze First Family Memberships for himself, and a Copper First Family
2 Membership for his wife for a total of \$18,450.

3 9. Defendant Ignatius Piazza (“Defendant Piazza”) is, and at all times relevant
4 was, a resident of Santa Cruz County, California. Defendant Piazza is the President and
5 majority shareholder of Defendant Front Sight Management Incorporated.

6 10. Defendant Front Sight Management Incorporated (“Front Sight” or “the
7 Company”) is a California Corporation with its corporate headquarters in Santa Cruz
8 County, California. Defendant Front Sight does business under the fictitious name of
9 Front Sight Firearms Training Institute, with facilities in Nevada and Alaska. The vast
10 majority, if not all, of the false statements disseminated by the defendants via the U.S.
11 mails and over the internet originated at Defendant Front Sight’s corporate headquarters
12 or the residence of Defendant Piazza.

13 11. Defendant Michael Meacher (“Defendant Meacher”) is, and at all times
14 relevant was, a resident of Orange County, California. Defendant Meacher is a minority
15 shareholder in Front Sight and serves as its “Financial Advisor,” involved with internal
16 financial accounting, tax matters and solicitation of investors. Commencing in June,
17 1999, Defendant Meacher was authorized by Front Sight to secure a line of credit up to
18 \$16,000,000. Although Defendant Meacher admitted prior to this date that Defendant
19 Piazza “would have to concede a lot to secure an investor at this stage,” and was aware
20 that Defendant Piazza was unlikely to do so, Defendant Meacher attempted in vain to
21 obtain funding for development at Front Sight. Plaintiffs allege on information and belief
22 that in order to attract potential “investors,” Defendant Meacher presented information to
23 said investors that he knew, by virtue of his involvement with Company finances, was
24 false and misleading, and once the truth was revealed, each potential investor withdrew
25 from negotiations. As set forth in more detail below, Defendant Piazza, with the
26 knowledge of Defendant Meacher, published false statements regarding the eminent “full
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1 funding” of the resort by various investors. Defendant’s including Meacher, were aware
2 that “full finding” was highly unlikely, and that Defendant Meacher’s role in the
3 fraudulent scheme was to give the appearance of legitimacy to the operation and give
4 credibility to Defendant Piazza’s false representations that full funding of the resort was
5 eminent and thus members of the public should purchase memberships quickly because
6 once full funding occurred memberships prices would escalate dramatically.

7 In addition, Defendant Meacher made false statements directly to members of the
8 public, including without limitation California resident Ted Carlson, in an effort to sell
9 Front Sight memberships at inflated prices. When Ted Carlson became aware of this law
10 suit, and thus the true facts underling the fraudulent Front Sight scheme, he decided not
11 to purchase a Platinum Membership (which included one acre of land) from Defendant
12 Meacher for the offering price of \$200,000. Thereafter, in an attempt to intimidate and
13 harass the representative plaintiffs in this action, Mr. Meacher filed a law suit in Nevada
14 State Court against plaintiffs herein, case number CV-22740. Plaintiffs prevailed in the
15 action, which was dismissed on April 3, 2006, and intend to seek monetary damages
16 against Meacher for filing of a frivolous and malicious action. This malicious action by
17 Defendant Meacher is alleged in this complaint solely for the purpose of further
18 establishing his participation in the conspiracy with Defendant Piazza to defraud members
19 of the public and intimidate Front Sight members who attempt to expose the fraudulent
20 scheme.

21 12. Defendant Brad Ackman (“Defendant Ackman”) is, and at all times
22 relevant was, a resident of Las Vegas, Nevada. Defendant Ackman is a minority
23 shareholder of Front Sight, and holds the positions of Director and Operations Manager
24 for the Company. Defendant Ackman, by virtue of his position with the Company, was
25 aware of its true financial condition, and nevertheless made false representations and
26 material omissions to members of the public in efforts to sell Front Sight memberships at
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1 inflated prices and to conceal the ongoing fraud. In return for his participation in the
2 fraudulent scheme, Defendant Ackman, who previously resided in Alaska, was given use
3 of a summer home with acreage in the Kenai Peninsula of Alaska. This was an additional
4 component of the fraudulent Front Sight scheme because defendants advertised “Front
5 Sight Alaska” as another member benefit, and as further indicia of Front Sight’s success.
6 In fact, although the property in Alaska was purchased with Front Sight revenues, it was
7 not a bona fide business transaction by the Company. In order to insure that Defendant
8 Ackman could enjoy his summer sabbaticals, Front Sight would not allow Alaska
9 residents to use the facility. By limiting access to only members from the lower forty-
10 eight states, at a price, defendants were able to limit Alaskan students to a handful each
11 summer. As further pay-off for his participation in the scheme, Defendant Ackman’s
12 wife was paid approximately \$50,000 per year for the token job of surfing the internet to
13 find derogatory comments against the defendants so the defendants could provide
14 disinformation to conceal their wrongdoing and perpetuate the scheme.

15 13. During the Class Period, defendants, as shareholders, officers and agents of
16 Front Sight, were privy to non-public information concerning the Company’s business,
17 finances, products, markets and present and future business prospects via access to
18 internal corporate documents, conversations and connections with other corporate officers
19 and employees, attendance at management and Board of Directors meetings and
20 committees thereof and via reports and other information provided to them in connection
21 therewith. Because of her possession of such information, defendants knew or recklessly
22 disregarded the fact that adverse facts specified herein had not been disclosed to, and
23 were being concealed from, Class Members and the general public.

24 14. Because of defendants’ position with the Company, they had access to the
25 adverse undisclosed information about the Company’s business, operations, operational
26 trends, financial statements, markets and present and future business prospects via access
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1 to internal corporate documents (including the Company’s operating plans, budgets and
2 forecasts and reports of actual operations compared thereto), conversations and
3 connections with other corporate officers and employees, attendance at management and
4 Board of Directors meetings and committees thereof and via reports and other
5 information provided to them in connection therewith.

6 15. Defendants were privy to confidential proprietary information concerning
7 the Company and its business, operations, growth, financial statements, and financial
8 condition, as alleged herein and were involved in drafting, producing, reviewing and/or
9 disseminating the false and misleading statements and information alleged herein, were
10 aware, or recklessly disregarded, that the false and misleading statements were being
11 issued regarding the Company, and approved or ratified these statements, in violation of
12 Federal and State laws.

13 16. As officers and controlling persons of Front Sight, defendants had a duty to
14 disseminate accurate and truthful information in the Company’s advertising and public
15 statements with respect to the Company’s financial condition and performance, growth,
16 operations, business, markets, management, earnings and present and future business
17 prospects, and to correct any previously-issued statements that had become materially
18 misleading or untrue, so that investors, consumers and Class Members’ decisions to
19 purchase Front Sight Memberships would be based upon truthful and accurate
20 information. Defendants misrepresentations and omissions during the Class Period
21 violated these specific requirements and obligations.

22 17. Defendants participated in the drafting, preparation, and/or approval of the
23 various public statements and communications complained of herein and were aware of,
24 or recklessly disregarded, the misstatements contained therein and omissions therefrom,
25 and were aware of their materially false and misleading nature. Because of their Board
26 memberships and/or executive and managerial positions with Front Sight, defendants had
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1 access to the adverse undisclosed information about Front Sight’s financial condition and
2 performance as particularized herein and knew or recklessly disregarded that these
3 adverse facts rendered the positive representations made by or about Front Sight and its
4 business issued or adopted by the Company materially false and misleading.

5 18. Defendants, because of their position of control and authority as officers,
6 agents and/or directors of the Company, were able to and did control the content of the
7 various press releases, e-mails, advertising mailers and other public statements pertaining
8 to the Company during the Class Period. Defendants were provided with copies of the
9 documents alleged herein to be misleading prior to or shortly after their issuance and/or
10 had the ability and/or opportunity to prevent their issuance or cause them to be corrected.
11 Accordingly, defendants are responsible for the accuracy of the public statements and
12 releases detailed herein and are therefore primarily liable for the representations
13 contained therein.

14 19. Each of the defendants is liable as a participant in a fraudulent scheme and
15 course of business that operated as a fraud or deceit on purchasers of Front Sight
16 Memberships by disseminating materially false and misleading statements and/or
17 concealing material adverse facts. The scheme: (1) deceived the general public regarding
18 Front Sight’s business, operations, management and the intrinsic value of Front Sight
19 Memberships; and (2) caused Plaintiffs and other members of the Class to purchase Front
20 Sight Memberships at artificially inflated prices.

21
22 **CLASS ACTION ALLEGATIONS**

23 20. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil
24 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or
25 otherwise acquired memberships in Front Sight Firearms Training Institute after January
26 1997 and continuing to the date on which the defendants cease the fraudulent sales of
27

1 memberships, inclusive, (the “Class Period”) and who were damaged thereby. Excluded
2 from the Class are defendants, the officers and directors of the Company, members of
3 their immediate families and their legal representatives, heirs, successors or assigns and
4 any entity in which defendants have or had a controlling interest.

5 21. The members of the Class are so numerous that joinder of all members is
6 impracticable.

7 22. While the exact number of Class members is unknown to Plaintiffs at this
8 time and can only be ascertained through appropriate discovery, Plaintiffs believe that
9 there are over 4,000 members in the proposed Class.

10 23. Plaintiffs’ claims are typical of the claims of the members of the Class,
11 because Plaintiffs and all of the Class members sustained damages arising out of
12 defendants’ wrongful conduct complained of herein.

13 24. Plaintiffs will fairly and adequately protect the interests of the Class
14 members and have retained counsel who are experienced and competent in class actions,
15 RICO/securities litigation and consumer protection cases

16 25. A class action is superior to all other available methods for the fair and
17 efficient adjudication of this controversy, since joinder of all members is impracticable.
18 Furthermore, as the damages suffered by individual members of the Class may be
19 relatively small, the expense and burden of individual litigation make it impossible for the
20 members of the Class to individually redress the wrongs done to them. There will be no
21 difficulty in the management of this action as a class action.

22 26. Questions of law and fact common to the members of the Class
23 predominate over any questions that may affect only individual members, in that
24 defendants have acted on grounds generally applicable to the entire Class. Among the
25 questions of law and fact common to the Class are:

26 a. Whether the defendants issued uniform, standardized deceptive
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1 advertisements and statements as alleged in perpetrating a fraud upon the class;

2 b. Whether the acts of the defendants violated the Racketeering and
3 Corrupt Organizations Act;

4 c. Whether the defendants conduct violated the California Unfair Business
5 Practices Act;

6 d. Whether the defendants conduct violated other provisions of the
7 California Business & Professions Code;

8 e. Whether the defendants conduct violated California Consumer Legal
9 Remedies Act;

10 f. Whether the defendants conduct breached their fiduciary duties to
11 members of the Class; and

12 g. Whether the members of the Class have sustained damages and, if so,
13 what is the appropriate measure of damages.

14
15 **SUBSTANTIVE ALLEGATIONS**

16 27. In or about 1997, defendants closed escrow on a 550-acre parcel of land
17 north of Las Vegas, Nevada, and commenced a plan to develop a “resort style, first class
18 training facility” for gun enthusiasts. The plan included nine training ranges, live-fire
19 simulator ranges, a five-story SWAT tower, a 5,000 square foot indoor video training
20 simulator building, a defensive driving track, a 7,200 square foot armory and gun-
21 smithing facility, a pro shop, a 7,200 square foot classroom, an administrative building, a
22 maintenance building, five on-site homes for staff, RV parking, a 1,000 yard rifle range,
23 4,500 square foot air stip, four private training ranges, a 7,200 square foot marshal art’s
24 gymnasium, a 900 square yard celebrity training facility, and a complete residential
25 community with a commercial/retail center, community center, a private kindergarten
26 through 12th grade school, 350 condominiums and 177 one-acre luxury home sites.
27

1 28. In order to accomplish this massive undertaking, defendants needed a lot of
2 money. Although State and Federal securities laws require the disclosure of material
3 information and risks when soliciting risk capital from investors, defendants attempted to
4 avoid such disclosures, and thus violated these laws, by selling “memberships” in the
5 resort, in varying amounts. Initially prices were set at \$8,900 for a “Copper Membership;”
6 \$23,000 for a “Bronze Membership;” \$90,000 for a “Silver Membership;” and \$300,000
7 for a “Platinum Membership.” Each of these memberships gave purchasers access to
8 certain courses free of charge, with the Silver and Platinum Memberships giving the
9 purchasers access to virtually all offered courses in perpetuity. In addition, the 177
10 Platinum memberships also gave the purchaser a one-acre home site in the resort. In
11 selling the one-acre home sites included in the Platinum memberships, defendants
12 violated both Federal and State laws regarding the sale of real estate.

13 29. After January 1997 and continuing through December 2002, Defendant
14 Piazza or a Front Sight employee he trained, gave standardized sales presentations at the
15 Front Sight facility in Nevada, wherein they identified the following benefits of being a
16 First Family Member:

- 17 a. Guaranteed next-day enrollment in any classes for all levels of First
18 Family Members;
- 19 b. Front Sight would supply the weapons and ammunition as part of the full
20 automatic classes for no charge;
- 21 c. Front Sight would supply protective gear, weapons and simunitions
22 ammunition in the tactical scenario series of classes at no charge; and,
- 23 d. First Family Memberships were good investments because prices were
24 going to double, triple and quadruple and that now was the time to buy.

25
26 Defendant Piazza affirmed that he knew this because he was the “one who sets the
27

1 prices.” Defendant Piazza further stated that at some point in the future Front Sight would
2 no longer be selling First Family memberships, and at that time members could sell their
3 memberships. Thus members could take all the classes they wanted and later recoup more
4 than their initial investment. Each of the named Plaintiffs attended at least one of the
5 standardized sales presentations prior to purchasing their Front Sight Memberships and
6 purchased their Front Sight Memberships in reliance upon the representations made at the
7 standardized sales presentations.

8 30. Continuing from the initial membership offering, through the filing of this
9 action, defendants have issued glowing reports to the public and members of the class,
10 touting Front Sight Firearms Training as growing, with increased profits each year, and at
11 various times publishing reports that outside investors were interested in fully funding the
12 resort so new members should purchase immediately so they can get their membership
13 before prices go up.

14 31. All of the presentations given to potential purchasers and members of the
15 Class were standardized and both created and taught to Front Sight employees by
16 Defendant Piazza. Everyone who took classes at the facility was encouraged to sit
17 through a sales session, where Piazza or his employee advised potential purchasers and
18 members of the Class that purchasing a membership at Front Sight was an “investment”
19 that would increase in value over time as the resort was completed. The ability to later
20 resale the memberships at a profit was presented as a key factor that made the purchase
21 such a smart investment. So too was the ability to will the Platinum and Silver
22 memberships to heirs.

23 32. Based on defendants’ standardized misrepresentations, plaintiffs and
24 members of the class purchased Front Sight memberships.

25 33. What defendants failed to disclose was that memberships were not being
26 sold at a rate, or dollar amount, sufficient to proceed with the plan as presented. In fact, at
27

1 the same time Defendant Piazza was disseminating glowing reports across the country
2 about Front Sight’s success, Front Sight was unable to timely pay its employees wages or
3 the Company’s other financial obligations.

4 34. Whenever Piazza needed money, a “new deal” would come out. The deal
5 always claimed to be an “exchange in abundance,” wherein Piazza was being the nice guy
6 and helping purchasers out. The new deals also always had some false reason for
7 requiring a prompt response, such as imminent full funding from an outside source, or
8 prices are set to go up in the near future. The truth, which was not disclosed to class
9 members, was that there was no imminent full funding and prices would never go up.

10 35. Rather, Piazza, in his scheme to extract as much money as possible out of
11 Americans who believe strongly in their Constitutional Right to Bear Arms, and in their
12 right and need to protect their families, systematically identified victims based on the
13 amount of money they had to spend, and once he pillaged all he could from one tier, he
14 dropped to the next tier and repeated the scheme. Thus in the beginning he was able to get
15 \$50,000 to \$200,000 from each victim, and when he depleted that tier was able to get
16 \$5,000 to \$20,000 from each victim, and in his final offensive is now taking \$1,200 from
17 each new “Life Member.”

18 36. In order to keep the early class members from discovering the scheme,
19 Piazza took a fraction of the monies raised from members and completed at least some
20 project each year. This gave the appearance that at least some development was
21 progressing. He also continued to publish false glowing statements about how well the
22 Company was doing, and identified windfall events that were imminent and going to
23 result in memberships increasing in value, as promised.

24 37. In order to ensure that he profited from the fraudulent scheme, from at least
25 1999, Defendant Piazza and Front Sight maintained several bank accounts. Monies from
26 the sale of memberships and classes came into one Company account at a bank which
27

1 Defendant Piazza would go to frequently and make withdrawals. Then he would make a
2 deposit at a different Company bank account. However, Defendant Piazza would shave
3 money off the top of the withdrawal for himself, and make a smaller deposit at the second
4 Company bank account. The diverted funds were then deposited in his personal accounts,
5 which on information and belief are at least in part off-shore accounts.

6 38. In or about mid-2002, a shareholder and director of Front Sight, Dean
7 Gamburd, undertook efforts to expose the false statements and fraudulent business
8 practices of the defendants. When Defendant Piazza became aware of this, he threatened
9 Mr. Gamburd by advising him: “If you ever do anything to interfere with my mission, I
10 could not guarantee your safety or that of your family.” Mr. Gamburd continued his
11 efforts to expose defendant’s wrongdoing, and was thereafter both sued and attacked by a
12 vicious public campaign by Defendant Piazza, who accused Mr. Gamburd in a publicly
13 disseminated letter dated October 9, 2002, of being associated with “an anti-religious hate
14 group” and “people of known criminal background and questionable ethics.” At this
15 same time, Defendant Piazza called Mr. Gamburd and advised him that he knew where
16 his wife was and what she was wearing [because she was under surveillance]. In light of
17 Defendant Piazza’s prior threats of physical harm, Mr. Gamburd’s concern over his
18 wife’s well being caused him to publically withdraw his negative statements about
19 Defendant Piazza’s business practices and settle the law suit pending against him.

20 39. As with any “Ponzi scheme,” eventually the pyramid got too big, and Piazza
21 was unable to bring in enough new money from memberships to maintain the scheme
22 without dropping membership prices precipitously. This exposed the problems being
23 experienced by Front Sight, and the misrepresentations that had been made over the years.

24 40. In addition, since defendants were unable to raise sufficient capital through
25 even the reduced rate memberships, in February 2005 the Company for the first time
26 procured a loan secured by the Front Sight property. The loan was for \$6,000,000, with a
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1 term of one year (the “February 2005 Loan”). Rather than use the money to pay back
2 investors he had defrauded who purchased the early memberships, or provide the
3 promised infrastructure for the Platinum members’ home sites, or give the early
4 membership purchasers back facility access rights he had unilaterally taken away, Piazza
5 diverted the funds for his own personal use and benefit, including his Hollywood career.

6 41. Unable to pay the February 2005 Loan when it came due in February of
7 2006, defendants caused Front Sight to undertake a second loan in the amount of
8 \$7,207,082.50 (the “February 2006 Loan”). Funds from this loan were used to pay off the
9 February 2005 Loan, and provide additional proceeds to Defendant Piazza, who, in an
10 effort to encumber his assets and pull income out of Front Sight in light of the impending
11 litigation, caused his stock in Front Sight to be encumbered as security for the loan
12 proceeds.

13
14 **THE “PHILANTHROPIC PROJECT” SCAM**

15 42. In a further effort to give the false appearance of Front Sight and Defendant
16 Piazza being philanthropic and successful enough to donate millions of dollars to
17 charities, and thus instil a false sense of comfort and garner support from members and
18 potential investors, in or about August, 2003, Defendant Piazza, with the knowledge and
19 support of all defendants, ordered a Front Sight employee to give \$5,000 to charities,
20 offering two-hundred individual charities \$25.00 if they would issue a letter thanking
21 Defendant Piazza for the donation. Each of these letters was then scanned and linked to
22 Defendant Piazza’s “Helping Those Who Help Others” web site (address
23 www.ignatiuspiazza.com), which is in turn linked to the Company web site,
24 www.Frontsight.com.

25 43. Defendant Piazza had previously, and subsequently, donated Front Sight
26 gift certificates with “face value” of millions of dollars to various organizations, even
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1 though the actual value of the certificates was a fraction of the “face value,” and the vast
2 majority of the certificates were never redeemed. Thus, although on his web site he touts
3 as of June 20, 2006 to have donated “cash and benefits” of \$5,130,000.00. In fact, only
4 enough “cash” was donated to give the false appearance of materially supporting charity,
5 and the vast majority of the “donations” were free course certificates defendants routinely
6 distributed to get students to come to Front Sight so they could be approached to buy a
7 membership.

8 44. In addition to giving the false impression that defendants are successful and
9 support common causes of members and investors, the web site as of June 20, 2006 still
10 falsely states that Front Sight has operated solely on “cash flow and great word-of-mouth
11 referrals – **no external financing and no institutional advertising.**” When, in fact, Front
12 Sight has now taken out two seven-figure loans and has financed a television show
13 designed as an infomercial for the Company.

14 **SPECIFIC MISREPRESENTATIONS MADE BY THE DEFENDANTS**

15 45. In or about 1999, Defendant Piazza commissioned the production of a scale
16 topographical model of the 550 acre site purchased by the Company in 1997. The model,
17 which is approximately six feet by six feet, appears to be a typical model of a planned
18 urban development. It contains scale model trees, landscaping and buildings represented
19 as being a commercial retail center, community center, private kindergarten through
20 twelfth grade school, martial arts gymnasium, and condominiums. Also depicted are an
21 airstrip, celebrity training center, training ranges and 177 one acre home sites in the
22 planned residential area. At this time defendants also commissioned artist renditions of
23 the various buildings and structures, which were framed and hung on walls surrounding
24 the model. These pictures and model were used as visual aids in virtually every live sales
25 presentation given by the defendants in an attempt to give a false air of credibility to the
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1 project. These artifices were deceptive in that Defendant Piazza merely told the model
2 designers to place the various scale structures and roads where they could present well
3 based solely on topography, and never performed the engineering surveys, testing and
4 inspection necessary to determined whether it was even feasible, much less legal, to
5 perform any of the improvements identified on the model. In addition to not undertaking
6 the research necessary to determine whether he could in fact build any of the structures
7 identified in the model, defendants did not even perform enough due diligence to prepare
8 a reasonable budget for costs involved in completing such studies and reports, much less
9 a reasonable budget for the costs of completing the project. To this date only one building
10 identified in the model has been completed, and there has been no material progress made
11 on any other portion of the residential development.

12 46. By letter dated October 11, 2002, Defendant Piazza falsely stated that “WE ARE SO
13 CLOSE TO COMPLETING PHASE I . . .” This statement was made with the intent to, and did in
14 fact, mislead members into believing that if they paid their memberships in full in advance of
15 their payment schedule, or upgraded their memberships, Phase I would be completed “within the
16 next six to twelve months.” This was false because Phase I was nowhere near completion, with
17 not even a single building being completed, and in fact Phase I has not been completed to this
18 date.

19 47. On or about December 20, 2002, Defendant Piazza issued a release via e-
20 mail and U.S. mail stating that “full funding of Front Sight Resort is imminent . . . which
21 will allow us to complete the Front Sight Resort much faster. . .” In this same release,
22 Defendant Piazza stated that all members who were paid in full by December 31, 2002
23 would receive a “one full level upgrade” when we “close our full funding.” Defendants
24 further represented that:

25 a. “The investment community has finally discovered Front Sight as we
26 are seriously negotiating a very attractive multi million dollar deal that will fully fund
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1 Front Sight Las Vegas, ” and that the “recent attention we have received from the
2 investment community has been remarkable.” Defendant Piazza further stated that
3 “people with millions of dollars are looking for solid, profitable, and tangible companies
4 like Front Sight to invest their money in for very safe and very strong returns.”

5 b. “Over the last 6 years Front Sight has averaged a minimum 40% growth
6 each year, and has shown huge profits every year.”

7 c. “President Bush signed the Armed Pilots Bill and the government is
8 looking at paying us to train the lion’s share of the 85,000 pilots that will seek training to
9 be armed in the cockpit.”

10 d. “Front Sight has nearly 100 million dollars of untapped profits that can
11 be realized from a fully secured capital improvement investment in Front Sight Resort
12 and Master Planned Community.”

13 e. The release closed by stating that, “Those who participate in our success
14 are about to be rewarded like no other student in the history of the firearms training
15 industry,” and that “after full funding is received, all First Family Membership [sic] will
16 double (possibly triple) in price, so you will be getting an even bigger bang for your buck
17 if you are fortunate enough to be a paid-in-full First Family Member before midnight,
18 December 31, 2002.” Needless to say, “full funding” never occurred, and this was just
19 another ploy of defendants to accelerate the extraction of money from class members.

20 48. In or about January, 2003, Defendant Piazza disseminated a letter to current
21 Front Sight members and members of the public, which, after reiterating the details of the
22 elaborate multi-phase project discussed above, stated that Front Sight has the water rights
23 necessary to develop the complete project and “millions of dollars have been spent to
24 date in purchasing the property and water rights; securing use permits and construction
25 permits; engineering, architectural, and consulting fees; and ongoing construction costs.”
26 This statement was false and misleading, and intended to defraud investors because
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1 although the property and water rights had been purchased, defendants never performed
2 the necessary engineering work to complete the project, and never obtained the permits
3 necessary to commence the planned urban development.

4 49. On June 22, 2003, in an effort to intimidate members from taking issue with
5 Defendant Piazza’s business practices, Defendant issued a broadcast e-mail stating that
6 in response to a small number of members complaining about his decision to use
7 Company resources to open a facility in Alaska (which was in effect a vacation home that
8 only a handful of members would visit each summer), he “JUST BOOTED THEM OUT
9 of the Front Sight Organization.” Piazza further stated that “We will hear no more of their
10 self-centered, self indulgent whining, complaining, and rumor mongering” and that
11 “others have been warned.” Piazza then represented that although he did not need to
12 profit off these vacant memberships, he would sell the memberships to the 14 highest
13 bidders.

14 50. By e-mail dated October 4, 2003 to his e-mail list, Defendant Piazza falsely stated
15 that “We will begin road construction in Phase III shortly.” This was false in that Phase III was
16 nowhere near being started, and in fact to this day has not been started. This statement was made
17 with the intent to, and did, mislead current members into believing that defendants were fulfilling
18 their promises, and to cause potential members to purchase Front Sight memberships.

19 51. On November 6, 2003, Piazza sent out another mailing and e-mail to class
20 members stating that everyone who had paid in full by June 1, 2003 would receive the full
21 upgrade. In addition, Piazza offered to give those that missed the payment-in-full upgrade
22 a chance to get an upgrade for a \$1,000 fee if they paid full price for a new membership

23 52. On December 10, 2003, Defendant Piazza released a mass marketing letter
24 and e-mail stating that he wanted “500 of our current members to upgrade to Gold,” and
25 that any member, regardless of level, can be upgraded to Gold for \$5,000. The offer
26 included the ability for the purchaser to sell their Gold membership. This resulted in a
27

1 precipitous drop in the value of all previously purchased memberships.

2 53. On December 20, 2003, Piazza issued another e-mail and letter, stating that:

3 a. sales of the \$5,000 Gold Upgrade Program were “rapid, strong and
4 steady”;

5 b. “We have HUGE promotional programs, joint ventures, acquisitions,
6 and growth set for 2004 with some real giants in the industry”;

7 c. “We have spent much of 2003 preparing for a TEN FOLD increase in
8 EVERYTHING we are doing for 2004 and YOU will get to enjoy the fruits of our hard
9 work by taking advantage of this Gold Upgrade.”

10 d. The cost of Gold memberships throughout 2003 was \$240,000 and
11 would be marketed in 2004 at \$240,000, “so you can see that this one time \$5,000
12 Upgrade to Gold (no certificates provided) is not only an unbelievable gift, **it is also an**
13 **unbelievable investment.**” [Emphasis added].

14 e. No current Silver, Gold or Platinum Members had voiced any concern
15 over selling Gold Memberships for a fraction of the cost paid by earlier investing class
16 members, and that current Gold and Platinum Members will “also receive a wonderful
17 bonus after the first of the year that will make EVERYONE wish they had been one of the
18 early purchasers of a Gold or Platinum membership.”

19 54. Effective January 1, 2004, defendants unilaterally revoked many of the
20 privileges previously extended to members, and added additional commitments,
21 including:

22 a. No longer providing ammunition for the fully automatic weapon
23 courses and requiring ammunition to be purchased from Front Sight’s pro shop. No
24 longer supplying protective gear, or simmunitions ammunition in the tactical scenario
25 series;

26 b. Now requiring members to pay a \$50 per year “background check fee;”
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1 and

2 c. Now requiring a two-week advance enrollment for courses rather than
3 the previously promised next-day enrollment.

4 55. When members protested this breach of the membership agreement,
5 Defendant Piazza retorted that members' concern over the additional costs they now
6 would bear would be offset "one-hundred times" by a free upgrade and certificates each
7 year. In fact, the upgrade had little to no value, and the certificates were simply additional
8 advertising so defendants could lure potential members to the facility for a sales
9 presentation.

10 56. In January 2004, Plaintiff James sent an e-mail to Defendant Piazza
11 requesting that Piazza at least honor the benefits under the Silver membership he initially
12 purchased by: (1) allowing one-day prior enrollment in courses rather than two weeks; (2)
13 not requiring the \$50.00 "background check fee;" (3) providing free ammunition for the
14 full automatic weapons course; and (4) providing free simmunitions gear and
15 ammunition. Piazza refused.

16 57. On October 25, 2005, having saturated the market and in need of money,
17 Piazza issued a public offering of Front Sight "Lifetime Memberships" for one payment
18 of \$1,200. Thus for what was the alleged value of a single course, defendants sold
19 memberships virtually indistinguishable from those previously sold to class members for
20 tens of thousands of dollars. In promotion of this offering, Piazza stated that:

21 a. Increased demand will be driving course prices and memberships out of
22 the reach of Front Sight students who are not already members; and

23 b. Piazza had already authorized a 25% increase in all course prices in
24 anticipation of the increased demand from his reality series television show.

25 58. By letter and e-mail disseminated February 26, 2006, Front Sight offered "Front
26 Sight Lifetime Legacy Memberships" which allowed lifetime access to five of the handgun
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1 courses for a single payment of \$4,900. The offer also gave the purchaser four “First Family
2 Certificates” with a “current value of \$1,600 PER certificate” (i.e., \$6,400 in alleged certificate
3 value). In fact, the certificates were worth less than a few hundred dollars and offered as a mere
4 guise to extract more money from consumers unaware of the defendants’ fraudulent conduct and
5 in advance of the next inevitable precipitous price reduction.

6 59. On April 29, 2006 by letter sent to Front Sight students and members, Defendant
7 Piazza offered to share his “Distilled and Perfected Secrets of the Ultra Successful” in four two-
8 day events plus twelve live conference calls for a single payment of \$10,000. The deal included a
9 free”Lifetime Founders Membership” valued at \$22,000 that allowed access to all Front Sight
10 Courses for life. The letter contains numerous false and misleading statements, including the
11 highly inflated value of the membership. In addition, Defendant Piazza professes to have risen to
12 the top of his profession as a chiropractor by setting a “world record” of the most new patients,
13 most services rendered and most collections in his first month of practice. In reality, there are no
14 legitimate “world records” kept for these statistics, and Piazza obtained such high numbers in
15 one month (233 patients and \$72,000 of income) by misrepresenting to patients that he would
16 provide free chiropractic care, and then charging them for x-rays. He also touts although the odds
17 are 1,000,000 to 1 of “making it in Hollywood,” he did. He omits the material fact that he
18 financed his film debut with proceeds from a \$7,200,000 loan secured by the water rights of the
19 Front Sight Property which had appreciated in value over the past six years. Thus his celebrity
20 career was financed at the expense of all First Family members who will now never see the full
21 development of Phase I, II and III of Front Sight, as promised.

22 60. Then on May 7, 2006, by letter and e-mail disseminated to the public, Front Sight
23 offered a “Challenge First Family Membership,” which allowed lifetime full access to the most
24 popular handgun, shotgun, rifle, Uzi and M-16 courses, for a one time payment of \$2,500. The
25 letter states that the offer is “not marketing hype,” because airing of the 26 episodes of “Front
26 Sight Challenge” and a second reality series will result in increased demand and will drive prices
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1 “out of the reach of our ‘Friends and Students’ who are not already members.” The letter also
2 states that prices will continue to rise. These statements were false and misleading, since
3 defendants never undertook any marketing studies to determine the impact on the demand for
4 Front Sight courses and memberships, and in fact by virtue of the extreme drain on Front Sight
5 resources, including the \$7.2 million dollar loan against the property, even a dramatic increase in
6 demand for classes could not offset the negative cash flow caused by Defendant Piazza’s
7 diversion of Front Sight assets to fulfill his desire to be in front of the camera.

8 61. With this last offering, defendants are wringing what they can from the last
9 tier of investors. Even with the millions of dollars raised from class members, and the six-
10 million dollars from the bank, to date only a very small fraction of the promised
11 improvements to the property have been completed. Whereas a world class resort
12 community with was promised, all that exists is a downgraded portion of the training
13 facility surrounded by a chained link fence. With defendants now committed to over
14 4,000 lifetime members, and the market for memberships now saturated to the point that a
15 full membership can be bought for the price a single class used to cost, defendants’
16 scheme is rapidly coming to a close. Thus, this action is being filed.

17
18 **COUNT I**

19 **VIOLATIONS OF §1962(a) AND (d) OF THE RICO ACT**

20 62. Plaintiffs reallege and incorporate herein by reference ¶¶1-61 of this
21 Complaint.

22 63. This claim for relief arises under §1962(a) and (d) of RICO and is asserted
23 against all defendants.

24 64. Each defendant is a "person," as that term is defined in §1961(3) of RICO.

25 65. An association-in-fact of the defendants who, as described above, actively
26 participated in and were integral to the fraudulent scheme which constitutes an
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1 "enterprise," as defined in 18 U.S.C. §1961(4). Each defendant either participated in the
2 creation and implementation of the fraudulent scheme, received transfers of Front Sight
3 assets, or obtained control over the transferred assets.

4 66. At all times relevant to the events and wrongful conduct alleged herein,
5 each of the defendants were employed by or associated with the association-in-fact
6 enterprise, each of which were engaged in and the activities of which affected interstate
7 commerce.

8 67. As alleged above, defendants have committed and/or aided and abetted a
9 pattern of illegal acts including, but not limited to, the issuance of false and misleading
10 statements referred to above, constituting multiple acts of:

11 (a) Mail fraud, in violation of 18 U.S.C. §1341. Each of the defendants engaged in
12 multiple acts of mail fraud through their implementation of various components of the
13 fraudulent scheme. Each of the various false publications and asset transfers described
14 herein were effectuated through the exchange of information and documents utilizing the
15 U.S. mail, as well as other methods of interstate communication;

16 (b) Wire fraud, in violation of 18 U.S.C. §1343. Defendants committed multiple
17 acts of wire fraud, including dissemination of the false statements set forth above over the
18 internet.

19 (c) Engaging in interstate and/or foreign travel in aid of racketeering enterprises, in
20 violation of IS U.S.C. §1952. Defendant Piazza traveled to Nevada, and on information
21 and belief, Costa Rica, in order to create, implement and monitor the scheme to defraud
22 members of the class and divert Company assets to his own use.

23 (d) Laundering monetary instruments, in violation of 18 U.S.C. §1956. Defendant
24 Piazza's transfer of Company assets to his own use and control, including, without
25 limitation, converting Company property to property in Costa Rica were created and
26 effectuated for the purpose of transferring assets away from the Company in order to
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1 undermine members ability to seek redress for the wrongful acts alleged herein and thus
2 further the scheme defraud class members; and

3 (e) Interstate transportation of stolen property, in violation of 18 U.S.C. §2314. As
4 detailed above, Piazza defrauded the public out of over \$5,000,000 and such proceeds
5 were transmitted in interstate commerce as part of the fraudulent scheme.

6 68. Each of the foregoing wrongful acts constitute "racketeering activity," as
7 that term is defined in §1961(1) of RICO. Each such act of racketeering activity had
8 similar purposes, involved the same or similar participants and methods of commission
9 and had similar results impacting upon similar victims, namely plaintiffs and the members
10 of the class and, thus, constituted a "pattern of racketeering activity," as that term is
11 defined in §1961(5) of RICO. Each one of the defendants agreed and conspired with
12 other defendants and co-actors to commit the above-referenced predicate acts of
13 racketeering activity and to violate §1962 (a) and (d) of RICO.

14 69. In violation of §1962 (a) and (d) of RICO, defendants conspired to derive
15 and derived substantial proceeds through the above-referenced pattern of racketeering
16 activity and conspired to use or invest and used or invested such proceeds in the
17 operations of the association-in-fact enterprise of defendants and/or of the entities as
18 described above.

19 70. As a direct and proximate result of defendants' violations of §1962(a) and
20 (d) of RICO, plaintiffs and the members of the class have been injured in their business or
21 property. Under the provisions of §1964 (c) of RICO, plaintiffs and the members of the
22 class are entitled to bring this class action and to recover herein treble damages, the costs
23 of bringing this suit and attorneys' fees.

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COUNT II

VIOLATIONS OF §1962(c) AND (d) OF THE RICO ACT

71. Plaintiffs reallege and incorporate herein by reference ¶¶1-70 of this First Amended Complaint.

72. This claim for relief arises under §1962(c) and (d) of RICO and is asserted against all defendants.

73. In violation of §1962 (c) and (d) of RICO, defendants conspired to conduct and to participate in the conduct of the affairs of the association-in-fact enterprise(s) and conducted and participated, directly or indirectly, in the conduct of the affairs of the enterprise(s) through the pattern of racketeering activity described herein.

74. As a direct and proximate result of defendants' violations of §1962 (c) and (d) of RICO, plaintiffs and the members of the class have been injured in their business or property because they purchased Front Sight Memberships under false pretenses and have been further injured by defendant Piazza’s diversion of Company funds to his own personal use and benefit. Under the provisions of §1964(c) of RICO, plaintiffs and the members of the class are entitled to bring this class action and to recover herein treble damages, the costs of bringing this suit and attorneys' fees.

COUNT III

VIOLATION OF INTERSTATE LAND SALES FULL DISCLOSURE ACT

75. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1- 74 of this FAC as though fully set forth herein.

76. This count arises under the Interstate Land Sales Full Disclosure Act, 15 U.S.C. §§ 1701 to 1720. Federal jurisdiction is specifically granted by 15 U.S.C. § 1719.

77. The 40 Platinum Memberships sold by defendants entitled each purchaser to a one acre, luxury homesite at the Nevada Front Sight facility. The Nevada Front Sight

1 facility contained 177 separate homesites.

2 78. Purchasers of Platinum Front Sight memberships have not been deeded
3 their promised lots at the Nevada Front Sight subdivision. Defendants have failed to
4 build and provide roads, sewers, water, gas, electrical services as well as recreational
5 facilities at the Nevada Front Sight subdivision.

6 79. Defendants are “developers” within the definition set forth in 15 U.S.C. §
7 1701(5), and the Nevada Front Sight facility is a “subdivision” within the definition set
8 forth in 15 U.S.C. § 1701(3).

9 80. Defendants failed to file a Statement of Record in regard to the Nevada
10 Front Sight facility as required by 15 U.S.C. §§ 1704, 1705 and 1706.

11 81. Defendants failure to file a Statement of Record is a violation of 15 U.S.C.
12 § 1703(a) (1)(A).

13 82. Defendants failed to prepare a Property Report in regard to the Nevada
14 Front Sight facility as required by 15 U.S.C. § 1707.

15 83. Defendants failed to provide a Property Report to each of the purchasers of
16 Platinum Members in violation of 15 U.S.C. § 1703(a)(1)(B).

17 84. Defendants displayed and delivered to purchasers of Platinum Memberships
18 advertising and promotional materials which were inconsistent with the information
19 required to be disclosed in a Property Report in violation of 15 U.S.C. § 1703(a)(1)(D).

20 85. Defendants’ employed a device, scheme and artifice to defraud purchasers
21 of Platinum Memberships in violation of 15 U.S.C. § 1703(a) (2)(A).

22 86. Defendants’ obtained money by means of untrue statements of material fact,
23 omitted to state material facts necessary in order to make statements made (in light of the
24 circumstances in which they were made and within the context of the overall offer and
25 sale of Platinum Memberships) not misleading, with respect to the information pertinent
26 to the lots sold and the Nevada Front Sight subdivision in violation of 15 U.S.C. §
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1 1703(a) (2)(B).

2 87. Defendants' engaged in the transactions, practices and course of business as
3 more fully explained above, which operated as a fraud and deceit upon purchasers of
4 Platinum Memberships in violation of 15 U.S.C. § 1703(a) (2)(C).

5 88. Defendants' represented that roads, sewers, water, gas, electrical services as
6 well as recreational facilities would be provided and completed by them without
7 stipulating in the Platinum Membership purchase agreements that such services or
8 amenities would be provided or completed in violation of 15 U.S.C. § 1703(a) (2)(D).

9 89. The Platinum Membership agreements did not clearly provide that
10 purchasers could revoke the purchase at the option of the purchaser in violation of 15
11 U.S.C. § 1703(b).

12 90. The Platinum Membership agreements did not clearly provide that
13 purchasers could revoke the purchase and a Property Report was not provided to Platinum
14 Membership purchasers all in violation of 15 U.S.C. § 1703(c).

15 91. The Platinum Membership agreements did not provide: (i) a description of
16 the lot at the Nevada Front Sight subdivision which makes such lot clearly identifiable
17 and in a form acceptable for recording; (ii) notice that in the event of a default or breach
18 of the contract by purchasers of Platinum Memberships, defendants would provide those
19 purchasers with written notice of such default or breach and the opportunity to remedy
20 such default or breach within twenty days after the date of receipt of such notice; and (iii)
21 that if the purchaser loses rights as a result of a default or breach of the agreement which
22 occurs after the purchaser has paid 15 per centum of the purchase price, then Defendants
23 would refund to each such purchaser any amount which remains after subtracting (A) 15
24 per centum of the purchase price of the lot, excluding any interest owed under the
25 agreement, or the amount of damages incurred by Defendants (or successor thereof) as a
26 result of such breach, whichever is greater, from (B) the amount paid by the purchaser
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1 with respect to the purchase price of the lot, excluding any interest paid under the
2 agreement. Defendants' failure to include the aforementioned mandatory information in
3 the Platinum Membership agreements is a violation of 15 U.S.C. § 1703(d).

4 92. After Defendants sold the Platinum Memberships, they continued their
5 program of false representations, by emails, newsletters and promotional materials
6 indicating that Front Sight was prosperous, active, growing, funding was "imminent" and
7 that Memberships were continuing to appreciate in value.

8 93. As a result of the aforementioned violations of the Interstate Land Sales
9 Full Disclosure Act, plaintiffs and members of the Class who purchased Platinum
10 Memberships are entitled to damages in an amount subject to proof at time of trial
11 including, without limitation, interest, court costs, attorneys' fees, independent appraisers'
12 fees and travel to and from the Nevada Front Sight subdivision.

13
14 **COUNT IV**

15 **FRAUD**

16 94. Plaintiffs reallege and incorporate herein allegations of paragraphs 1-93 of
17 this First Amended Complaint as though fully set forth herein.

18 95. When defendants made the misrepresentations set forth above, they knew
19 them to be false.

20 96. Defendants made the misrepresentations knowing that plaintiffs and
21 members of the Class would rely on said misrepresentations.

22 97. Plaintiffs and members of the Class did in fact rely on said
23 misrepresentations to their detriment. Had plaintiffs and members of the Class known the
24 true facts they would not have purchased Front Sight Memberships.

25 98. As a result of the intentional misrepresentations of the defendants, plaintiffs
26 and members of the Class have been damaged in an amount subject to proof at time of
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1 trial.

2 99. The conduct of Defendants, and each of them, as described herein, was
3 done with a willful and conscious disregard for the rights of plaintiffs and members of the
4 Class. Said conduct is outrageous and constitutes oppression, fraud and malice under
5 California Civil Code § 3294, entitling Plaintiffs and members of the Class to exemplary
6 and punitive damages in an amount sufficient for the sake of example and by way of
7 punishing Defendants.

8
9 **COUNT V**

10 **VIOLATION OF NEVADA SALE OF SUBDIVIDED LANDS**

11 100. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1- 99
12 of this First Amended Complaint as though fully set forth herein.

13 101. Defendants are “developers” within the definition set forth in Nevada
14 Revised Statutes (“NRS”) § 119.040, and the Nevada Front Sight facility is a
15 “subdivision” within the definition set forth in NRS § 119.110.

16 102. Defendants failed to appoint the Nevada Secretary of State as their agent for
17 service of process prior to selling the Platinum Front Sight memberships in violation of
18 NRS § 119.130.

19 103. Defendants failed to obtain a license/property report from the Nevada Real
20 Estate Division of the Department of Business and Industry prior to selling the Platinum
21 memberships as required under NRS §§ 119.140, 119.150 and 119.160. Defendants’
22 failure to obtain a license/property report from the Nevada Secretary of State authorizing
23 the sale of lots in the Nevada Front Sight subdivision prior to selling the Platinum
24 Memberships are violations of NRS §§ 119.130 and 119.140.

25 104. Defendants did not receive the approval of the Nevada Real Estate Division
26 of the Department of Business and Industry of a written plan or the methods proposed to
27

1 be employed for the procurement of prospective purchasers, the sale to purchasers and the
2 retention of purchasers of Platinum Memberships prior to the sale of those memberships
3 in violation of NRS § 119.180.

4 105. Defendants failed to provide to purchasers of Platinum Front Sight
5 memberships the information required to be submitted pursuant to NRS § 119.140. The
6 failure to provide this information is a violation of NRS § 119.182.

7 106. Defendants failed to provide to purchasers of Platinum Front Sight
8 memberships information concerning public services in violation of NRS § 119.183.

9 107. Defendants failed to provide to purchasers of Platinum Front Sight
10 memberships information concerning the location of rights of way and easements for
11 electrical transmission lines in violation of NRS § 119.1835.

12 108. Defendants used sales personnel who were not licensed in violation of NRS
13 §§ 119.180 and 119.181.

14 109. Defendants failed to seek the approval of the Nevada Real Estate Division
15 of the Department of Business and Industry of its advertisements and offer for sale of
16 Platinum Memberships in violation of NRS § 119.184.

17 110. Pursuant to NRS § 119.220, the aforementioned violations of Nevada
18 Statutory Law authorize plaintiffs and members of the Class who purchased Platinum
19 Memberships to sue for damages and/or rescission as well as reasonable attorneys' fees.
20 Plaintiffs and members of the Class who purchased Platinum Memberships are entitled to
21 damages in an amount subject to proof at time of trial.

22
23 **COUNT VI**

24 **FRAUDULENT CONVEYANCE**

25 111. Plaintiffs reallege and incorporate herein by reference ¶¶1-110 of this First
26 Amended Complaint.

1 112. Defendant Piazza, in furtherance of the scheme to defraud plaintiffs and
2 members of the class, and for the purpose of transferring or encumbering Front Sight
3 assets to illegally undermine the ability of plaintiffs and class members to obtain
4 satisfaction for the damages caused to them by the scheme, diverted Company assets,
5 including without limitation Company assets converted to property in Costa Rica. The
6 conversion of Front Sight assets took place after claims of creditors were made. In or
7 about February, 2005, defendant Piazza diverted the proceeds from a \$6,000,000 loan to
8 the Front Sight (secured by the company's assets), thus attempting to place them beyond
9 the reach of Front Sight's creditors. Such actions violated the Uniform Fraudulent
10 Transfer Act as adopted in California (where the scheme was implemented). The
11 transfers were intentionally concealed and were made **after** defendants were threatened
12 with the instant action. The transfers were of a substantial portion of defendant Front
13 Sight's assets and were made without fair consideration. Defendant Front Sight was
14 rendered insolvent as a result of the transfers as it had insufficient income and assets to
15 pay the debt service on the February, 2005 loan. In 2006, after this action was filed,
16 defendant Piazza caused defendant Front Sight to take out a new \$7,200,000 loan secured
17 by all of Front Sight's assets as well as his own shares of stock in Front Sight. Defendant
18 Piazza is a guarantor of the 2006 loan. The transfers were of a substantial portion of
19 defendant Front Sight's assets and defendant Piazza's assets and were made without fair
20 consideration. Defendant Front Sight was rendered insolvent as a result of the transfer as
21 it has insufficient income and assets to pay the debt service on the 2006 loan. Defendant
22 Piazza was rendered insolvent as a result of the transfer as he has insufficient income and
23 assets to pay the debt service on the 2006 loan. The 2006 loan/transfers were made after
24 the instant action was filed and plaintiffs' were creditors.

25 113. Such actions violated §531 of the California Penal Code because they
26 constituted a plan "contrived with intent to deceive and defraud others, or to defeat,
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1 hinder, or delay creditors or others of their just debts, damages, or demands."

2 114. Under §3439.04(a) of the California Civil Code, the fraudulent scheme
3 resulted in transfers and obligations "made with actual intent to hinder, delay, or defraud"
4 creditors, specifically plaintiffs.

5 115. The transactions detailed herein constitute fraudulent transfers of Front
6 Sight assets, which Piazza planned and implemented in order to hinder, delay and defraud
7 creditors. Equitable relief is necessary as a potential monetary judgment in favor of
8 plaintiffs and Class Members cannot be satisfied without bringing the property, and
9 money back and there is a substantial risk that the proceeds of the 2006 loan will, or
10 already has been, sequestered.

11
12 **COUNT VII**

13 **UNLAWFUL, UNFAIR AND FRAUDULENT**

14 **BUSINESS ACTS AND PRACTICES**

15 116. Plaintiffs, on behalf of themselves and all others similarly situated and on
16 behalf of the general public as appropriate, reallege, as if fully set forth herein, each and
17 every allegation contained in ¶¶ 1-115 herein, and further allege as follows:

18 117. The acts, omissions, misrepresentations, practices and non-disclosures of
19 Defendants as alleged herein constituted unlawful, unfair and fraudulent business acts and
20 practices within the meaning of California Business and Professions Code § 17200, et
21 seq.

22 118. Defendants' marketing and advertising practices in connection with the sale
23 of Front Sight Memberships tend to deceive plaintiffs, members of the Class and the
24 general public, who purchase Defendants' memberships in the belief that Defendants will
25 operate Front Sight in a manner that maintains the value of their memberships and
26 provides for long term viability of Front Sight. Defendants' deception constitutes a
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1 fraudulent business practice under the California UCL in that Defendants failed to
2 disclose the high risk nature of the memberships and the fraudulent acts set forth herein to
3 members of the Class and the general public.

4 119. As a result of the foregoing, pursuant to California Business & Professions
5 Code § 17203, plaintiffs, on behalf of the Class and the general public, seek an Order of
6 this Court requiring defendants to immediately cease such acts of unfair competition and
7 enjoining defendants from continuing to falsely advertise or conduct business via the
8 unlawful, fraudulent or unfair business acts and practices and untrue and misleading
9 advertising complained of herein and from failing to fully disclose the true nature of their
10 misrepresentations, and ordering defendants to engage in a corrective advertising or
11 informational campaign. Plaintiffs additionally request an Order from the Court requiring
12 the payment or return of any monies wrongfully acquired, saved or retained by defendants
13 by means of such acts of unfair competition so as to restore to any persons in interest any
14 and all monies which were acquired and obtained by means of such acts of unfair
15 competition and/or as may be necessary to prevent the use or employment of any practice
16 which constitutes unfair competition, as well as imposing an asset freeze or a constructive
17 trust over such monies.

18 120. Plaintiffs on behalf of themselves, all others similarly situated and to the
19 extent permitted under California law, the general public, therefore, seek an order of this
20 Court for appropriate available remedies under California Business & Professions Code §
21 17203.

22 **COUNT VIII**

23 **COMMISSION OF UNTRUE AND MISLEADING ADVERTISING**

24 121. Plaintiffs, on behalf of the general public reallege, as if fully set forth
25 herein, each and every allegation contained in ¶¶1-120 herein, and further alleges as
26 follows.

1 122. California Business & Professions Code §§ 17500, et seq. prohibits various
2 deceptive practices in connection with the dissemination in any manner of representations
3 for the purpose of inducing, or which are likely to induce, directly or indirectly, the
4 purchase of the memberships at issue.

5 123. The policies, acts and practices alleged herein were intended to, and did,
6 induce the sale of the memberships here at issue to the consuming public and violated and
7 continue to violate this section, in that in violation of California Business & Professions
8 Code § 17500, defendants caused to be made, published, disseminated, circulated or
9 placed before the public advertisements concerning the Front Sight Memberships at issue
10 which contained statements which were untrue, deceptive, misleading or omitted material
11 facts and which by the exercise of reasonable care should have been known by defendants
12 to be untrue, deceptive or misleading.

13 124. The above-described acts and practices conducted by defendants still
14 continue to this day and present a threat to the general public.

15 125. As a result of the foregoing, pursuant to California Business & Professions
16 Code § 17535, plaintiffs, on behalf of the general public, seek an Order of this Court for
17 the relief set forth in ¶ 68 above.

18

19

COUNT IX

20

VIOLATION OF THE CALIFORNIA CONSUMERS LEGAL REMEDIES ACT

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126. Plaintiffs, on behalf of themselves and all others similarly situated, reallege,
as if fully set forth herein, each and every allegation contained in ¶¶ 1-125 herein, and
further allege as follows:

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127. The California Consumers Legal Remedies Act, California Civil Code §§
1750, et seq. ("CLRA"), has adopted a comprehensive statutory scheme prohibiting
various deceptive practices in connection with the conduct of a business providing goods,

1 property or services primarily for personal, family or household purposes.

2 128. The policies, acts and practices engaged in by Defendants and alleged
3 herein were intended to, and did, result in the sale of Front Sight memberships at issue to
4 plaintiffs, members of the Class and the general public primarily for personal, family or
5 household purposes, and violated and continued to violate the California CLRA in at least
6 the violation of California Civil Code § 1770(a)(14).

7 129. As a result, plaintiffs, members of the Class and the general public have
8 suffered irreparable harm, entitling them to both injunctive relief and restitution.

9 130. As a result, pursuant to California Civil Code § 1780(a)(2), plaintiffs seek
10 on behalf of themselves and Class members an order enjoining the above-described
11 wrongful acts and practices of Defendants, providing restitution to plaintiffs and the
12 Class, ordering the payment of costs and attorneys' fees, and any other relief deemed
13 appropriate and proper by the Court under California Civil Code § 1780.

14 131. In compliance with the provisions of California Civil Code § 1782,
15 plaintiffs will, within thirty days of filing this First Amended Complaint, give written
16 notice to defendant Meacher and Ackman of their intention to seek damages under
17 California Civil Code §§ 1750, et seq., and requesting said defendants offer an
18 appropriate correction to all affected consumers. Plaintiffs have timely provided the
19 written notice to defendants Piazza and Front Sight.

20 132. If each defendant fails, within thirty days after receipt of the § 1782 notice,
21 to adequately respond to plaintiffs' demand to correct the wrongful conduct described
22 above, and otherwise fails: to cease the misrepresentations described above; engage in a
23 corrective information campaign; correct the misleading nature of their representations
24 described above or otherwise rectify all claims brought on behalf of the Class members
25 who are impacted by Defendants' alleged violations, and offer to compensate plaintiffs
26 and members of the Class for all damages incurred as a result of the conduct alleged in
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1 this Complaint, plaintiffs will amend this Complaint to demand such damages, as well as
2 well as interest thereon and statutory and exemplary damages, as appropriate.

3
4 **COUNT X**

5 **BREACH OF FIDUCIARY DUTY**

6 133. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1-
7 132 of this First Amended Complaint as though fully set forth herein.

8 134. Plaintiffs and Class members relied upon Defendants to take steps to protect
9 their investments in Front Sight. As Defendants represented that they controlled the
10 number of memberships available, and were going to build the promised Front Sight
11 subdivision, a special relationship existed between Plaintiffs and Class members on the
12 one hand, and Defendants on the other hand. Confidence was reposed by Plaintiffs and
13 Class members in the integrity of Defendants, and Defendants voluntarily accepted that
14 confidence. This relationship was of the highest character. Defendants owed a fiduciary
15 duty to Plaintiffs and Class members to conduct the affairs of Front Sight on an honest
16 and truthful manner and in the highest good faith.

17 135. Defendants breached their fiduciary duty to Plaintiffs and Class members by
18 their actions as more fully identified above by intentionally sabotaging the business of
19 Front Sight and failing to perform in an honest and truthful manner and in good faith.

20 136. As a proximate result of the actions and inactions of Defendants as more
21 fully described above, Plaintiffs and Class members have suffered economic and general
22 damages all subject to proof at time of trial.

23 137. The conduct of Defendants was willful, malicious, despicable, outrageous
24 and done with a conscious disregard of Plaintiffs and Class members rights and with the
25 intent to vex, injure and oppress Plaintiffs and Class members, such as to constitute
26 oppression, and/or malice thereby entitling Plaintiffs and Class members to exemplary
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1 and punitive damages.

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COUNT XI

4

NEGLIGENT MISREPRESENTATION

5

138. Plaintiffs reallege and incorporate herein allegations of paragraphs 1-61 of this First Amended Complaint as though fully set forth herein.

7

139. When defendants made the misrepresentations set forth above, they had no reasonable grounds for believing them to be true and made the representations with the intent to induce plaintiffs and members of the Class to purchase Front Sight Memberships at inflated prices.

11

140. Defendants made the misrepresentations knowing that plaintiffs and members of the class were in fact relying upon said misrepresentations in deciding to purchase Front Sight memberships.

14

141. When plaintiffs and members of the Class purchased Front Sight memberships, they were ignorant of the falsity of defendants statements, and had they known the true facts they would not have purchased said memberships.

17

142. As a result of the negligent misrepresentations of the defendants, plaintiffs and members of the Class have been damaged in an amount subject to proof at time of trial.

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21

COUNT XII

22

BREACH OF CONTRACT BY DEFENDANT FRONT SIGHT

23

143. Plaintiffs reallege and incorporate herein the allegations of paragraphs 1-142 of this First Amended Complaint as though fully set forth herein.

25

139. Plaintiffs and Class Members entered into partly written and oral agreements with Defendants concerning their purchase of Front Sight Memberships.

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1 Some Plaintiffs and Class Members signed written “Expanded First Family Program
2 Application and Promissory Notes” and some did not. Written course materials outlined
3 course information and oral presentations by Defendants confirmed the essential terms.

4 The essential terms of the agreements were as follows:

5 a. Guaranteed next-day enrollment in any classes for all levels of First
6 Family Members;

7 b. Front Sight would supply the weapons and ammunition as part of the
8 full automatic classes for no charge;

9 c. Front Sight would supply protective gear, weapons and simmunitions
10 ammunition in the tactical series of classes at no charge;

11 d. The Memberships were transferable and would increase in value
12 because Defendants set the price and those prices were going to increase. In addition,
13 Silver and Platinum memberships could be willed to heirs;

14 e. Front Sight would complete development of its “resort style, first
15 class training facility;” and,

16 f. Platinum Members would receive a one acre, luxury homesite at the
17 Front Sight facility/subdivision.

18 140. On or about January 1, 2004, Defendants breached the terms of the
19 agreements by:

20 a. Revoking the guaranteed next-day enrollment in any classes for all
21 levels of First Family Members;

22 b. Revoking the free weapons and ammunition as part of the full
23 automatic classes;

24 c. Revoking the free protective gear, weapons and simmunitions
25 ammunition in the tactical series of classes.

26 141. In or about February, 2005, Defendants breached the terms of the
27

1 agreements by procuring the February 2005 loan (secured by the Front Sight real
2 property) and did not use the proceeds to build the promised “resort style, first class
3 training facility.”

4 142. In or about February, 2005, Defendants breached the terms of the
5 agreements with Platinum Members by procuring the February, 2005 loan (secured by the
6 Front Sight property) and did not use the proceeds to build the promised Front Sight
7 facility/subdivision in which those Platinum Members would be deeded one acre, luxury
8 homesites.

9 143. Plaintiffs and Class Members have fully performed all obligations on their
10 part under the terms of the agreements.

11 144. Defendants’ failure to perform under the agreements was not excused.

12 145. As a proximate result of said breaches, plaintiffs and members of the Class
13 have suffered damages in an amount subject to proof at time of trial.

14
15 **PRAYER FOR RELIEF**

16 **WHEREFORE** plaintiffs, on behalf of themselves and all others similarly situated
17 and on behalf of the general public as appropriate under California law, pray for judgment
18 against Defendants as follows:

19 1. An order certifying the plaintiff Class and appointing plaintiffs and their counsel
20 to represent the Class;

21 2. Awarding plaintiffs and members of the class compensatory damages in an
22 amount that may be proved at trial, together with pre-judgment interest at the maximum
23 rate allowed by law;

24 3. Awarding plaintiffs members of the class treble damages pursuant to §1964(c)
25 of RICO;

26 4. Requesting this Court order defendant Piazza to divest himself of any interests,
27

1 direct or indirect, that he holds in Front Sight (the enterprise);

2 5. Requesting this Court issue an order imposing reasonable restrictions on the
3 future activities or investments of defendants, and each of them, including prohibiting
4 defendants, and each of them, from engaging in the same type of endeavor as the
5 enterprise(s) engaged in;

6 6. Setting aside each of the fraudulent transfers of Front Sight assets made by
7 Defendant Piazza;

8 7. Attaching the assets that were fraudulently transferred by Defendant Piazza;

9 8. Enjoining defendants from further asset transfers until restitution and damages
10 in this action have been satisfied;

11 9. Prejudgement attachment of the defendants' assets until restitution and damages
12 in this action have been satisfied;

13 10. For attorneys' fees pursuant to, inter alia, C. C. P. § 1021. 5, and for costs of
14 suit;

15 11. For punitive and exemplary damages; and,

16 12. For such other and further relief as this Court may deem just and proper.

17
18 DEMAND FOR JURY TRIAL

19 Plaintiffs demand a trial by jury for themselves and members of the Class on all claims
20 so triable.

21 DATED: June 26, 2006 LAW OFFICES OF GREER & ASSOCIATES, APC

22 /S/
23 By: _____
24 C. KEITH GREER,
25 Attorneys for Plaintiffs
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ATTORNEY ATTESTATION

“I hereby attest that I have on file all holograph signatures for any signatures indicated by a ‘conformed’ signature (S/S) within this efiled (by pdf email per General Order No. 45, section V, subdivision A) document.”

EXHIBIT “B”

EXHIBIT “B”

1 C. Keith Greer, Esq., State Bar No.: 135537
LAW OFFICES OF GREER & ASSOCIATES, A.P.C.
2 17150 Via Del Campo, Suite 100
San Diego, California 92127
3 Telephone: (858) 613-6677
Fax: (858) 613-6680
4 greerkeith@aol.com

5 Attorneys for Plaintiffs

6
7 UNITED STATES DISTRICT COURT
8 NORTHERN DISTRICT OF CALIFORNIA
9 SAN JOSE DIVISION

10 STACY JAMES, WILLIAM HAAG and
11 MICHAEL SCHRIBER, Individually, On
Behalf of All Others Similarly Situated and
12 On Behalf of the General Public,

13 Plaintiffs,

14 vs.

15 IGNATIUS A. PIAZZA, FRONT SIGHT
MANAGEMENT INCORPORATED dba
16 FRONT SIGHT FIREARMS TRAINING
INSTITUTE, MICHAEL MEACHER and
17 BRAD ACKMAN,

18 Defendants.

) Case No.: C 05-04532 JW

) **SATISFACTION OF JUDGMENT**

19
20 Come now, Class Plaintiffs, Stacy James, William Haag and Michael Schriber,
21 through counsel, Law Offices of Greer & Associates, A.P.C., by C. Keith Greer, Esq., and
22 state that the monetary judgments/orders entered in this action have been satisfied in full.
23 Funds for payment of the entire remaining balance owed on the judgments/orders were
24 wired to the Claims Administrator on October 7, 2016.

25 The judgment liens that have now been completely satisfied are represented as
26 follows:

27 **Debtor:** Ignatius A. Piazza, Front Sight Management Incorporated dba

28 Front Sight Firearms Training Institute, Michael Meacher and Brad Ackman

SATISFACTION OF JUDGMENT, *James v. Piazza*. Case No. C 05-04532 JW

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Creditor: Stacy James, William Haag and Michael Schriber
Court: United States District Court Northern District of California San Jose Division
Case No.: C 05-04532 JW
Amount: \$8,050,000.00
Recorded: February 16, 2007 as Instrument No. 679299 of Official Records

A document entitled "**Notice of Reduction of Judgment Lien**" recorded May 22, 2008 in Book N/A as Instrument No. 709022 of Official Records.

A document entitled "**Notice of Reduction of Judgment Lien**" recorded July 05, 2012 as Instrument No. 786831 of Official Records.

Respectfully submitted:

Dated: October 20, 2016 **GREER & ASSOCIATES, A.P.C.**

By: /s/ C. Keith Greer
C. Keith Greer, Esq.
Attorney for Plaintiffs

EXHIBIT “C”

EXHIBIT “C”

Vohra, Ravi

To: Dawn Cica; Schlusel, Lauren; LeHane Robert L.; Adams, Jason
Subject: RE: FRONT SIGHT BANKRUPTCY

From: [REDACTED]
Sent: Thursday, November 3, 2022 9:04 AM
To: sderousse@freeborn.com; edward.m.mcdonald@usdoj.gov; ustpregion17.lv.ecf@usdoj.gov; jason.blumberg@usdoj.gov; sseflin@bg.law; sgubner@bg.law; rlehane@kelleydrye.com; Nancy Rodriguez <nrodriguez@carlyoncica.com>; Cristina Robertson <crobertson@carlyoncica.com>; dmcica@gmail.com; Dawn Cica <Dcica@carlyoncica.com>; Tracy O'Steen <tosteen@carlyoncica.com>; 3342887420@filings.docketbird.com; saschwartz@nvfirm.com; blindsey@nvfirm.com; ecf@nvfirm.com; eanderson@nvfirm.com; samid@nvfirm.com; msturm@nvfirm.com
Subject: RE: FRONT SIGHT BANKRUPTCY

Dear Ladies & Gentlemen:

My name is [REDACTED] Founder membership # [REDACTED] UF and I am an unsecured creditor of Front Sight. I have filed Proof of Claim # _____ in this case. (I was unable to file a proof of claim in this case by the due date as I was not noticed.)

I have been a member of Front Sight since 2011 and bought / upgraded my membership(s) in Front Sight because of the many benefits that were promised to me by Ignatius Piazza in his incessant blast of email up-sells that included an explicit promise that I would become an owner of Front Sight in proportion to the number of memberships, course certificates, FS Bucks, various loyalty points, or whatever that was the flavor of the day when he made the offer that I accepted. He made this ownership promise to me and all Front Sight members multiple times.

Now, however, I see in the "Debtor's Second Amended Chapter 11 Plan of Reorganization" that Mr. Piazza and the Debtor have allocated only \$3 million to the entire class of unsecured creditors (which currently has monetary claims in excess of \$1,200,000,000) and, unbelievably, states that the \$3 million will be used to FIGHT our claims. In short, we, the unsecured creditors will likely receive nothing given that Mr. Piazza is the most belligerent, vindictive and litigious person I have ever known. More importantly, perhaps, is that the Plan includes the following outrageous conditions:

1. Mr. Piazza will be paid \$7 million over a 10-year period through an irrevocable "Consulting Agreement" that still has not been disclosed even though the voting date is less than one week away. This is nothing more than a backdoor way for Mr. Piazza to extract equity ownership benefits from a company that he intentionally drove into bankruptcy.
2. Mr. Piazza will never be held to account for the tens of millions of dollars in fraudulent transfers that he engineered in the years before the bankruptcy filing because the new owner of Front Sight (Prairie Fire) has agreed with Mr. Piazza NOT to prosecute those claims.

I vehemently oppose approval of the Plan and urge the Unsecured Creditors Committee, the US Trustee and the Bankruptcy Court to reject the Plan.

Sincerely,

[REDACTED]

Sent from my iPhone

EXHIBIT “D”

EXHIBIT “D”

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA (LAS VEGAS)

IN RE:	. Case No. 22-11824-abl
	. Chapter 11
	.
FRONT SIGHT MANAGEMENT, LLC,	. 300 Las Vegas Blvd South
	. Las Vegas, NV 89101
	.
Debtor.	. Tuesday, June 28, 2022
	. 3:11 p.m.

TRANSCRIPT OF ORAL RULING RE: EMERGENCY MOTION REGARDING CHAPTER 11 FIRST DAY MOTIONS EMERGENCY MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS: (I) AUTHORIZING DEBTOR TO OBTAIN POST-PETITION FINANCING, (II) GRANTING PRIMING LIENS AND ADMINISTRATIVE EXPENSE CLAIMS, (III) AUTHORIZING THE DEBTORS USE OF CASH COLLATERAL, (IV) MODIFYING THE AUTOMATIC STAY AND (V) GRANTING RELATED RELIEF WITH PROPOSED ORDER FILED BY SUSAN K. SEFLIN ON BEHALF OF FRONT SIGHT MANAGEMENT LLC [4]

**BEFORE THE HONORABLE AUGUST B. LANDIS
UNITED STATES BANKRUPTCY COURT JUDGE**

TELEPHONIC APPEARANCES:

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APPEARANCES CONTINUED.

Audio Operator:	Andrea Mendoza, Remote ECR
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Transcription Company:	Access Transcripts, LLC 10110 Youngwood Lane Fishers, IN 46048 (855) 873-2223 www.accesstranscripts.com
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Proceedings recorded by electronic sound recording, transcript produced by transcription service.

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Las Vegas, NV 89119
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1



1 non-judicial foreclosure action by LVDF because it did not post
2 a \$9.7 million bond to enjoin such proceedings in the state
3 court litigation, Front Sight filed its voluntary Chapter 11
4 bankruptcy petition. It did that on May 24th, 2022. ECF 1.

5 Next, by way of topic are debtor's scheduled assets
6 -- asset holdings and liabilities. According to Front Sight's
7 bankruptcy schedules at ECF 137, which were signed by
8 Mr. Piazza as Front Sight's manager and filed with the court
9 under oath, ECF 137, Page 81 of 104, Front Sight's asset
10 holdings on the May 24th, 2022 petition date were like this:
11 cash, cash equivalents, and financial assets, \$101,770.65;
12 deposits and prepayments, \$100,200.73; accounts receivable,
13 zero; investments, zero; inventory, \$489,466.23; office
14 furniture, fixtures, equipment and collectibles, \$687,942.83;
15 machinery, equipment, and vehicles, \$1,155,730.68; real
16 property, \$25,260,000; intangibles and intellectual property,
17 \$1 million; all other assets \$808,904; and the total of all
18 scheduled assets is \$29,595,015.12.

19 Scheduled non-real estate assets are, total,
20 \$4,335,015.12. That's 14.65 percent of the scheduled total
21 assets. Scheduled real estate assets, again, \$25,260,000.
22 That's 85.35 percent of the total scheduled assets. And you
23 can see all of that by reference at ECF 137, Page 3 of 104, and
24 Pages 14 and 15 of 104.

25 According to Front Sight's bankruptcy schedules, ECF



1 137, signed by Mr. Piazza as Front Sight's manager and filed
2 with the Court under oath, ECF 137, Page 81 of 104, Front
3 Sight's liabilities on the May 24th, 2022 petition dates were
4 -- date was like this: scheduled secured claims with one claim
5 in an amount that was shown as undetermined, \$11,152,956;
6 scheduled priority unsecured claims, \$167,294.67; scheduled
7 non-priority general unsecured claims \$6,884,698.10; for a
8 total of all scheduled claims of any kind, \$18,204,948.77, ECF
9 137, Page 3, 18, and 21 of 104.

10 Reducing the total scheduled value of Front Sight's
11 assets, \$29,595,015.12, by the total of all scheduled claims,
12 \$18,204,948.77, there's apparent equity of \$11,390,066.35.

13 The claims bar date for non-governmental entities is
14 August 8th of 2022, though, ECF Number 86, so that -- those
15 numbers could change, and of course, the claims process could
16 result in objections. To date, the claims register reflects
17 173 filed claims in the total amount of \$33,132,156.35.

18 Next is the record as to Front Sight's property
19 value. We're talking about real estate here. According to the
20 debtor's schedules, \$25,260,000. ECF 137, Page 11 of 104.
21 Those schedules were signed by Mr. Piazza as the debtor's
22 manager and filed with the court under oath.

23 Next is the Britton appraisal of January 19th of
24 2022. Again, \$25,260,000 value using a cost approach, but
25 limited to, quote, "establishing value for potential taxing or



1 gifting purposes," closed quote, and not for other purposes.
2 ECF 14-4, Page 20.

3 That appraisal breaks it out this way: land,
4 \$6,940,000; improvements, \$14,560,000; water rights,
5 \$3,760,000; for a total of \$25,260,000. ECF 14-4, Page 124 of
6 175.

7 Next is the stalking horse bid. The stalking horse
8 bid describes a value of \$18 million to the Front Sight
9 property, and it does -- you can see that by reference to ECF
10 150, Page 7 of 19. When I say \$18 million, that's not the
11 total amount of the stalking horse bid. The stalking horse bid
12 is for no less than \$19 million, with 18 million of the dollars
13 of that bid allocated to the Front Sight property in the event
14 that the DIP lender defaults at closing. And then, the DIP
15 lender would be subordinated to prepetition claims. We talked
16 about that previously in colloquy, but the bottom line here is
17 there's a \$19 million stalking horse bid, 18 million of which
18 is allocated to the Front Sight property.

19 Next are the appraisals, which are the subject of the
20 contested declaration of Mr. Huygen's at ECF Number 161, which
21 I overruled, but clarity and avoidance of doubt, it was this
22 issue that triggered that objection. The contested appraisal,
23 first, is one that was filed by Mr. Britton, this time on
24 November 19th, of 2012, November 19th, 2012, sitting here today
25 at the end of June in 2022. Market value, as is market value,



1 of the appraised property was \$25 million, and it was separate
2 and distinct from the firearms training facility using a sales
3 comparison and land residual approaches to value. You can see
4 that at ECF 161, Pages 198 and -99 of 257.

5 And secondly, Hospitality Real Estate Counselors
6 appraisal, this one dated October 8th of 2014. We're here in
7 June of 2022. It, too, had a \$25 million valuation, as is
8 market value of approximately half of the Front Sight property.
9 ECF 161, Pages 125 and 198 of 257.

10 It's curious LVDF objected to the Court's
11 consideration of this nearly eight-year-old appraisal on
12 timeliness grounds, and as sandbagging LVDF and other
13 stakeholders. ECF 171, Page 3 of 12, Lines 18 through 22.
14 It's noteworthy, though, that the appraisal report, which I was
15 invited to take a close look at and I did, was prepared for,
16 quote, "Robert W. Dziubla and John Fleming of EB5 Impact
17 Advisors, LLC." Mr. -- I told you I'd butcher it -- Dziubla is
18 currently an officer of LVDF and has sworn out a declaration
19 opposing Front Sight's DIP financing motion, ECF 37.

20 It's also curious that while LVDF made a loan of
21 \$75 million to Front Sight about two years after that appraisal
22 report was issued to Mr. Dziubla and Mr. Fleming, it's true,
23 too, that the maximum amount of the LVDF loan to Front Sight
24 was later reduced from 75 million to \$50 million, based on the
25 same real estate collateral offered by Front Sight in support



1 of Front Sight's proposed \$5 million DIP financing transaction.

2 The Court finds that for purposes of analysis, this
3 DIP -- of this DIP financing motion, the value of the Front
4 Sight property is \$18 million. To be clear and for avoidance
5 of doubt, the Court finds that for purposes of analysis of this
6 DIP financing motion, the value of the Front Sight property is
7 \$18 million.

8 In reaching that figure, the Court did this. I
9 considered the \$25,260,000 value reflected in the bankruptcy
10 schedule signed by Mr. Piazza and filed by Front Sight with the
11 Court under oath. ECF 137, Page 11 of 104. I, next,
12 considered the January 19th, 2022 Britton appraisal, the only
13 one that's even reasonably recent, ECF 14-4, which underpins
14 Front Sight's \$25,260,000 scheduled value, and I ultimately
15 discounted that figure by \$7,260,000. That's a 28.74 percent
16 reduction, and that discount is warranted because while that
17 \$25,260,000 appraised valuation was reached utilizing a cost
18 approach, reliance on that appraisal report is, in fact,
19 limited to establishing value for potential taxing or gifting
20 purposes, not for other purposes. ECF 14-4, Page 20.

21 I then considered the DIP lender's stalking horse
22 bid, ECF 150, Page 7 of 19, and that stalking horse bid, as I
23 noted previously, allocates \$18 million to the Front Sight
24 property. The Court finds that to be the most compelling
25 evidence of what the Front Sight property would bring at a sale



1 at the current time and also finds the \$18 million figure to be
2 a conservative one in light of the other appraisal evidence
3 that's on the record, whether it's old or new.

4 The Court also considered, but placed very little
5 weight on, the November 19th, 2012 Britton appraisal for
6 \$25 million, ECF 161, Pages 198 and -99 at 257, because that
7 appraisal is nearly a decade old, not for any other reason.

8 The October 8th, 2014 Hospitality Real Estate
9 Counselors appraisal for \$25 million, ECF 161, Pages 125 and
10 198 of 257, and I gave that little weight, very, very little
11 weight, because that appraisal is approaching eight years old,
12 and I -- placing very little weight on those appraisals
13 minimizes any prejudice to LVDF and any other stakeholders that
14 might have arisen based on when they were filed of record in
15 connection with this case.

16 Next by the way of topic is the summary of Front
17 Sight's DIP financing Motion. I'll spare you some of this.
18 Front Sight's DIP financing Motion was filed contemporaneously
19 with its voluntary Chapter 11 petition on May 24th, 2022.
20 Again, it's ECF 4. A summary of the terms of the proposed DIP
21 financing transaction can be seen by reference to ECF 4, Pages
22 3 through 6 of 107, as well as ECF 14-1, Pages 2 through 4 of
23 4. All of the DIP loan documents are in the record at ECF
24 14-3, Pages 2 through 60 of 60. And the Court's familiar with,
25 but will not attempt to recite, all the terms of the DIP loan



1 Anyone else have anything else they want to add?
2 Going once, going twice, hearing none. Thank you for your
3 appearances this afternoon, Counsel. That'll take care of this
4 motion. We stand adjourned. Stay safe, stay healthy. Have a
5 good day.

6 THE CLERK: Thank you, Your Honor.

7 COUNSEL: Thank you, Your Honor.

8 THE COURT RECORDER: Off record.

9 (Proceedings concluded at 4:29 p.m.)

10 * * * * *

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15 C E R T I F I C A T I O N

16

17 I, Alicia Jarrett, court-approved transcriber, hereby
18 certify that the foregoing is a correct transcript from the
19 official electronic sound recording of the proceedings in the
20 above-entitled matter.

21

22

23

Alicia J. Jarrett

24 ALICIA JARRETT, AAERT NO. 428 DATE: July 1, 2022

25 ACCESS TRANSCRIPTS, LLC

