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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.

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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
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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.

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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.

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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.

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26 Defendant Piazza affirmed that he knew this because he was the “one who sets the
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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
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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
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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
15 **SPECIFIC MISREPRESENTATIONS MADE BY THE DEFENDANTS**

16 45. In or about 1999, Defendant Piazza commissioned the production of a scale
17 topographical model of the 550 acre site purchased by the Company in 1997. The model,
18 which is approximately six feet by six feet, appears to be a typical model of a planned
19 urban development. It contains scale model trees, landscaping and buildings represented
20 as being a commercial retail center, community center, private kindergarten through
21 twelfth grade school, martial arts gymnasium, and condominiums. Also depicted are an
22 airstrip, celebrity training center, training ranges and 177 one acre home sites in the
23 planned residential area. At this time defendants also commissioned artist renditions of
24 the various buildings and structures, which were framed and hung on walls surrounding
25 the model. These pictures and model were used as visual aids in virtually every live sales
26 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;”
27

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
27

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
27

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,
27

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

21

22

23

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:

24

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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
27

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
27

1 and punitive damages.

2

3

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.

10

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.

12

13

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.

15

16

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.

18

19

20

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.

24

25

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

26

27

28

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
26
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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”

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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 AUTOMOATIC
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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transcript produced by transcription service.

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Carlyon Cica Chtd.
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Suite 107
Las Vegas, NV 89119
(702) 685-4444

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.)

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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

