

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re:

**NATIONAL EVENTS OF AMERICA, INC.,**  
*et al.*

Chapter 11 Case  
Case No. 17-11798 (JLG)  
(Jointly Administered)

Debtors.  
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**EXAMINER'S REPORT**

Alan D. Halperin, the court appointed examiner (the "Examiner"), files this report (the "Report") pursuant to the *Stipulation and Order (i) Acknowledging Edward J. LoBello, Esq. as Estate Fiduciary; and (ii) Authorizing the Appointment of an Examiner for a Limited Purpose* [Docket No. 54] (the "Examiner Order"). The Examiner respectfully states as follows:

**Background**

1. National Events of America, Inc., and New World Events Group, Inc. (together the "Corporate Debtors"), together with the LLC Debtors,<sup>1</sup> operated as a ticket broker and wholesale distributor of tickets for sporting and theater events (collectively, the Corporate Debtors and the LLC Debtors are referred to as the "Debtors"). The Debtors provided ticketing services for concerts, theater events, sporting events and hospitality packages that provided access to exclusive events and parties.

2. On May 31, 2017, Jason Nissen ("Nissen"), the former chief executive officer of the Debtors, was arrested and charged by the Federal Bureau of Investigation (the "FBI") with

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<sup>1</sup> The "LLC Debtors" are National Events Holdings, LLC (17-11556); National Events Intermediate, LLC (17-1157); National Event Company II, LLC (17-11559); National Event Company III, LLC (17-11561); and National World Events Group II, LLC (17-11562), jointly administered as Case No. 17-11556.

running a Ponzi or otherwise fraudulent scheme, among other things,<sup>2</sup> which allegedly defrauded victims of at least \$70 million.

3. According to the criminal complaint filed in the United States District Court for the Southern District of New York (the “Criminal Complaint”), Nissen told the victims of his Ponzi scheme that he would use the money they gave him to purchase tickets to various events, but in fact used the money to repay other victims and enrich himself. The Criminal Complaint is filed in case number 17 MAG 4096 and can be found on the ECF filing system of the District Court for the Southern District of New York.

4. On or about June 1, 2017, Tally USA Holdings Inc. and SLL USA Holdings, LLC (together, “Taly”) commenced a lawsuit (the “Taly Litigation”) in the Supreme Court of the State of New York, New York County, against Nissen, National Events of America, Inc., National Events Intermediate LLC, National Events Holdings LLC, National Event Company II LLC, National Event Company III, LLC, World Events Group II, LLC, New World Events Group, Inc., and Winter Music Festival LLC. The Taly Litigation was given Index No. 652865/2017 and can be found on the electronic docketing system for the Supreme Court of the State of New York, County of New York.

5. By Order issued in the Tally Litigation on June 5, 2017, the State Court appointed Edward LoBello as receiver (the “Receiver”), pursuant to New York CPLR 6401 (the “Receivership Order”). The Receivership Order can be found on the Taly Litigation’s docket. The Receivership Order gave the Receiver broad powers to operate and manage the business of the Debtors.

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<sup>2</sup> Later references in this report to only the alleged Ponzi scheme are for ease of reference only, and are not intended to exclude the other allegations of fraudulent conduct by Nissen alleged in connection with these cases. References to the Ponzi scheme in this report should be construed to include these other allegations.

6. Later in the day on June 5, 2017, the LLC Debtors commenced bankruptcy cases under chapter 11 of the Bankruptcy Code before this Court without consulting the Receiver. The United States Trustee filed a motion to convert the LLC Debtors cases to chapter 7, which was granted by Court Order dated August 7, 2017.

7. On June 28, 2017, the Receiver commenced these chapter 11 proceedings on behalf of the Corporate Debtors.

#### **Appointment of Examiner**

8. On July 7, 2017, Paul Jones, Sports & Entertainment Travel, LLC, Gary Rosoff and C.M. Events, Inc. (collectively, the “Unsecured Creditors”) filed a motion for the Appointment of an Examiner in the chapter 11 cases of the LLC Debtors and the Corporate Debtors [Docket No. 8] (the “Examiner Motion”).

9. On July 11, 2017, Taly and Hutton Ventures LLC (“Hutton”) filed a motion to Authorize Receiver to (I) Remain Responsible Officer of Corporate Debtors as Wind-Down Officer Pursuant to 11 U.S.C. Sections 1107, or in the Alternative, (II) Remain in Possession, Custody, and Control of the Corporate Debtors Property Pursuant to 11 U.S.C Section 543 in these jointly administered cases [Docket No. 11] (the “543 Motion”).

10. On July 27, 2017 the United States Trustee filed a Motion to Convert the Corporate Debtors’ Chapter 11 Cases to a Chapter 7 and Objected to the 543 Motion [Docket No. 37] (the “Conversion Motion”).

11. After the filing of the Conversion Motion, the Receiver, Taly, Hutton, the United States Trustee and the Unsecured Creditors agreed to resolve their competing motions by allowing the Receiver to remain the estates’ fiduciary to conduct the administration of the Corporate Debtors’ estates (hereinafter “Estate Fiduciary”) and appointing an examiner to (a)

conduct an examination of any claims or potential claims by or against any Corporate Debtor involving any entity or person which has been identified by the United States Trustee which may create a conflict if such examination were to be conducted by the Estate Fiduciary, and (b) otherwise perform the duties of an examiner set forth in 11 U.S.C. §1106(a)(3) and (4) of the Bankruptcy Code (the “Investigation”).

12. It was agreed that the Examiner was to file a report based upon the results of the Investigation and the Estate Fiduciary will determine whether to take action based on the Examiner’s Investigation and report. The agreement of the parties was memorialized in a negotiated form of Order (the “Examiner Order”) that was submitted to the Bankruptcy Court.

13. This Court entered the Examiner Order on September 21, 2017, directing the United States Trustee to appoint the Examiner. The Examiner Order directs that:

The Examiner is directed to (a) conduct an examination of any claims or potential claims by or against any Corporate Debtor involving any entity or person which has been identified by the UST which might create a conflict if such examination were to be conducted by the Estate Fiduciary, and (b) otherwise perform the duties of an examiner set forth in 11 U.S.C. §1106(a)(3) and (4) of the Bankruptcy Code (“the Investigation”) as relates to any matter referred to the Examiner in accordance with subparagraph (a) of this paragraph. Upon the conclusion of the Examiner’s Investigation, the Examiner shall file a report with the Bankruptcy Court. The Estate Fiduciary will determine whether to take action based upon the results of the Examiner’s Investigation and report. The Estate Fiduciary and his professionals shall provide reasonable cooperation and assistance to the Examiner

Examiner Order at ¶6.

14. On September 21, 2017, the United States Trustee appointed Alan D. Halperin as Examiner, and filed its notice of such appointment and application for an order of this Court approving the appointment of Mr. Halperin as examiner in the Debtors’ chapter 11 bankruptcy cases. On September 25, 2017, the Court entered the Order Pursuant to 11 U.S.C. § 1004(d) and

Fed. R. Bankr. P. 2007.1, Approving the United States Trustee's Appointment of Alan D. Halperin as Examiner [Docket No. 59] (the "Appointment Order").

15. After discussion with the United States Trustee, Taly, Hutton, the Unsecured Creditors and the Receiver, and then in further consultation with the United States Trustee it was determined that the only party that might fall within the scope of the Investigation was Taly, and specifically whether Taly had taken any action related to the Ponzi scheme or had any knowledge of the scheme upon which it acted that could result in a challenge to Taly's claims or give rise to a cause of action against Taly.

16. The Examiner, together with his counsel reviewed the scope of the Investigation as clarified through discussions with the parties, and consulted with the United States Trustee in connection with the preparation of the proposed Examiner's work plan. The work plan was filed with this Court on October 5, 2017 [Docket No. 68].

17. The Examiner's Report was initially due on December 4, 2017. However, the initial deadline was extended to January 4, 2018 pursuant to the Stipulation and Order Extending Deadlines for (i) Alan Halperin, as Examiner to File a Report Under 11 U.S.C. § 1106(a)(4) and (ii) Edward J. LoBello, Esq., as Estate Fiduciary of the Debtors to Commence Contested Matter or Adversary Proceeding [Docket No. 104].

### **Examination**

#### **Interviews**

18. Following approval of his appointment, the Examiner and his professionals began making requests for parties to meet with the Examiner, either in person or by telephone if necessary, to discuss matters and issues relevant to his Investigation. Generally speaking, most

parties were very accommodating in making representatives available to the Examiner and his professionals to be interviewed.

19. Given the informal nature of the interviews, the Examiner believes he was able to obtain a level of candor and information that might not have otherwise have been provided in a more formal setting, such as a deposition. Most of the interviews lasted multiple hours and some required follow-up by way of telephone calls and emails with requests for additional information or documents.

20. The Examiner was ultimately able to get the information he sought through these informal interviews, subsequent follow-up and document review. As a result, he determined he did not need to rely upon the use of 2004 discovery. The Examiner and his professionals kept detailed notes from each of the interviews and maintains them in work files associated with the Investigation.

21. The Examiner made requests to meet with (i) the Estate Fiduciary; (ii) Falcon Investment Advisors, LLC; (iii) the Unsecured Creditors; (iv) Hutton Capital Management, LLC, (v) Taly USA Holdings, Inc., (vi) the Chapter 7 Trustee in the LLC Cases, (vii) Jason Nissen, (viii) Stacey Roberts and (ix) Anthony Piazza. The Trustee was able to schedule meetings with all parties that he sent requests to with the exception of Stacey Roberts (former corporate secretary of the LLC Debtors) and Anthony Piazza (a former consultant to the LLC Debtors). The Examiner conducted a lengthy interview with the Unsecured Creditors, during which they identified Ms. Roberts and Mr. Piazza as people that had worked for the LLC Debtors, and that should be able to provide additional background and/or information regarding all of the Debtors and their businesses, and possibly information related to the Investigation. Requests to meet with Ms. Roberts were submitted though her counsel and were not responded to. The request to

Mr. Piazza was initially responded to, but follow-up calls and emails were not answered and messages were not returned. Ultimately, the Examiner determined that the likelihood of receiving any additional useful information from them related to the Investigation was low, and determined not to compel discovery from them under a 2004 process.

22. Below is a table containing information regarding the in-person and telephonic interviews the Examiner conducted during the Investigation.

<b>Date of Interview</b>	<b>Non-Examiner Person(s) in Attendance</b>	<b>Party(s) Represented</b>
November 2, 2017	E. LoBello, W. Heuer, M. Egan, D. Ringer	Receiver
November 3, 2017	J. Levitin, J. Moses, E. Rogoff	Falcon Investment Advisors, LLC
November 9, 2017 (P. Jones, G. Rosoff, C. Bruce, M. May by telephone)	J. Sullivan, P. Jones, G. Rosoff, C. Bruce, M. May	Paul Jones, Gary Rosoff, Sports & Entertainment, LLC, and C.M. Events, Inc.
November 9, 2017	J. Vincequerra, G. Catalanello, R. Schechter	Hutton Capital Management, LLC
November 10, 2017	J. Moldovan, R. Dakis, C. Milito, G. Tanne	Taly USA Holdings, Inc.
December 8, 2017 (by telephone)	R. Friedman	K. Silverman, Chapter 7 Trustee
December 19, 2017	M. Bachner, J. Nissen, E. LoBello, W. Heuer, D. Ringer	Jason Nissen

### **Document Production and Information Requests**

23. Upon his appointment, the Examiner requested documents from the Receiver appointed in the Corporate Debtors' cases. In order to limit the costs of the Investigation, the Examiner sought documents on a consensual basis without the use of subpoenas.

24. The Receiver and his professionals were able to accommodate the Examiner's requests and provided a large number of documents prior to the commencement of the

interviews. The Receiver also provided information and documents during the course of the Examiner's interview of the Receiver and thereafter that were helpful in the Investigation.

25. After the initial interview with the Receiver, the Examiner conducted additional interviews to further the Investigation. During the course of those additional interviews the Examiner requested documents and information from various parties during and after the interviews were conducted.

26. Below is a document production table. The Examiner maintains the documents that were provided to him by the various parties he interviewed in his files.

<b>Party From Which Documents Were Requested</b>	<b>Documents/Information Produced</b>	<b>Approximate Dates of Production</b>
E. LoBello, W. Heuer,	Yes	October 2017
J. Sullivan, P. Jones, G. Rosoff, C. Bruce, M. May	Yes	November 2017
J. Moldovan, R. Dakis, C. Milito, G. Tanne	Yes	December 2017 and January 2018
R. Friedman	Yes	January 2018

27. In addition, the Chapter 7 Trustee has access to certain email files from the LLC Debtors. At the request of the Examiner the Trustee's professionals searched the emails they have access to for emails to or from Nissen related to the Investigation. Trustee's counsel has informed the Examiner that their search did not appear to uncover anything related to the Investigation.

28. The Examiner notes that he is not the ultimate decision maker on the matter he was asked to investigate. Rather, he was appointed to investigate a discrete matter and submit his findings so that the Corporate Debtors could be more informed. The Examiner analyzed the information he collected and compared that to the issues he was asked to investigate. He



considered direct evidence and the reasonable inferences that can be drawn therefrom. For the issues he was asked to investigate, the Bankruptcy Court will serve as the ultimate fact finder and that the decision of the fact finder would be made after evaluating documentary evidence, the testimony and credibility of witnesses and the reasonable inferences that may be drawn from such evidence.

### **Facts Determined From Investigation and Conclusions**

29. The Examiner and his professionals analyzed the information obtained from produced and publicly available documents, interviews and independent research to determine whether Taly had taken any action related to the Ponzi scheme or had any knowledge of the scheme upon which it acted that could result in a challenge to Taly's claims or give rise to a cause of action against Taly.

30. The Investigation revealed that Taly was introduced to Nissen through Jona Rechnitz in late 2011 or early 2012. As a professional relationship developed between Yaron Turgeman of Taly and Nissen, they also developed a personal friendship.

31. From January of 2012 through November of 2013, Taly and Nissen entered into a number of event specific loans (the "First Loans").

32. The First Loans were made between Taly Diamonds NY LLC as holder and World Events Group, Inc. or National Event Company II, LLC as maker. The Examiner found approximately 17 loans, which totaled approximately \$9 million, which comprised the First Loans. The Investigation showed that Taly was repaid in full for all of the First Loans.

33. Between approximately November of 2013 and June of 2016 the Examiner could find no evidence of loans made by Taly to any of the Debtors. According to parties that the Examiner interviewed and documents produced, the gap in the Taly/Nissen relationship

during this time was due to the fact that the LLC Debtors received structured funding from Falcon Investment Advisors, LLC during this period.

34. The lending relationship between Taly and the Corporate Debtors resumed around June of 2016 when Taly entered into a number of event specific loans (the “Second Loans”). The Second Loans were made from June of 2016 through March of 2017. They were made between Taly USA Holdings, Inc. or SLL USA Holdings LLC as holder and National Events of America, Inc. as maker. Nissen also executed a number of personal guarantees in favor of Taly during this time frame on account of the Second Loans. The Second Loans were comprised of approximately 24 loan agreements that totaled just under \$48 million gross. This gross amount likely exceeds gross exposure in part due to double-counting as a result of the roll-over of prior loans as discussed below.

35. Starting sometime in early 2017, Nissen began to roll-over Taly’s investments from one event to another without Taly’s consent. At some point the loan roll-overs caused Taly to become increasingly concerned over the Corporate Debtors’ creditworthiness and ability to repay the Second Loans. Taly began to request detailed financial information and bank statements, which were things they had not asked for previously. In or about mid-March 2017 Taly requested access to accounting records, and the Corporate Debtors provided copies of QuickBooks files. The files did not allay Taly’s concerns and Taly pressed for more information.

36. Taly was expecting two wire transfers for loan repayment from the Corporate Debtors in late April, 2017. Only one transfer was received, causing Taly greater concern regarding the chances of default on the Second Loans. Taly made inquiries with Nissen as to the

whereabouts of the second transfer. Nissen advised Taly that the bank mistakenly wired the funds to someone else when actually Nissen never sent the second wire to Taly.

37. Taly demanded a letter from the bank confirming Nissen's statement. Nissen forged a letter from the bank, Citibank, to show to Taly to verify his assertion. After reviewing the letter, Taly remained suspicious of Nissen's explanation and the letter and demanded to meet with a representative at the bank, in person in order to get firsthand confirmation from the bank that the second wire did in fact go out to the wrong transferee in error. Nissen set up a meeting between Taly and an employee of the bank the last week of April 2017. The meeting between a Taly executive, Nissen and Joshua Santana from Citibank occurred the last week of April, 2017. Nissen informed the Examiner that prior to the meeting he had requested Mr. Santana inform the Taly executive that there was a problem with the second wire. Both Nissen and a Taly executive told the Examiner that during the meeting with the bank, Mr. Santana told the Taly executive that there was a problem with the wire, supporting what the forged letter had stated. Taly received the second wire the day after they met with the bank.

38. On Sunday, May 7, 2017, Nissen met with Mr. Turgeman, the CEO of Taly, in person, planning to confess to running a Ponzi scheme. At some point during the in person meeting, Mr. Turgeman stopped the meeting and requested that Nissen leave and call him later. During the subsequent telephone call that followed later that same day Nissen confessed to running the Ponzi scheme, falsifying financial documents (including, without limitation, bank statements and QuickBooks files) and inflating accounts receivable ledgers to cover up his fraud. Nissen also offered to sell his equity in the Debtors to Taly. Nissen indicated to the Examiner that he believed there was still substantial value in the Debtors' business at that point and framed the sale to Taly as a way for Taly recover on its loans once they were able to grow, then sell the

Debtors' business. At the end of the call, Mr. Turgeman requested that Nissen come to Taly's offices the next day, meet with Taly's CFO and explain all of the financial aspects he had just confessed to Mr. Turgeman. Mr. Turgeman recorded that telephone conversation.

39. The Examiner understands that the reason Nissen chose to confess to Taly is he had recently discovered his companies would not get a clean audit for 2016, which Nissen had been counting on in order to get additional funding for the Debtors. According to Nissen, he believed that this additional funding would enable him to reduce costs and repay his other creditors which would allow him to get out of debt and grow the business. However, the companies were already running out of funds, and with no additional money coming in the Ponzi scheme could not be maintained.

40. Nissen approached Taly to confess because of his personal relationship with Mr. Turgeman, and because Nissen wanted to make the proposal for Taly to acquire his ownership in the Debtors in a last ditch effort to raise funds to repay creditors and avoid his fraud being made public.

41. On May 8, 2017 Nissen again met with Taly executives (Mr. Turgeman, Guy Tanne and Effy Rapps), this time in person at Taly's office. During this meeting Nissen explained his fraud to the larger group, and repeated to the group his offer of ownership in the Corporate Debtors in an attempt to obtain more money from Taly to keep the businesses afloat, allow Taly to recover on its loans and prevent his fraud from becoming a public issue. During the May 8<sup>th</sup> meeting, Nissen also provided the Taly executives with details as to who the other victims of the Ponzi scheme were.

42. The Examiner understands through his interview with Nissen that before Taly grew concerned about the repayment of its loans, Taly had previously expressed interest in

possibly acquiring an ownership interest in the Debtors' business. Nissen cited that as the reason he believed that Taly might be interested in acquiring the business at this stage as a means of salvaging the situation.

43. After recording Nissen's confession at the May 8<sup>th</sup> meeting, Taly executives reported Nissen to the FBI and then commenced the Taly Litigation. The LLC Debtors filed their bankruptcy cases in early June 2017 and the Corporate Debtors filed later that month.

44. According to the information the Examiner reviewed, Taly loaned approximately \$57,000,000 gross to the Debtors over approximately a five year period.<sup>3</sup> During that time, certain Taly executives also had personal relationships with Nissen. Despite these longstanding business and personal relationships, the Examiner found no evidence during the course of his investigation from which he could conclude that Taly had any knowledge of Nissen's fraud prior to May 7, 2017, or in any way furthered that fraud or participated in it.

45. The information obtained and reviewed by the Examiner shows that Taly did grow more concerned about repayment of the Second Loans during the months that preceded Nissen's confession, requesting detailed financial information and demanding meetings with Nissen's bank when loan repayments were not received. However, the actions taken by Taly are consistent with a creditor concerned about repayment, not with an entity knowledgeable of a fraud or participating in that fraud. The interviews, documents reviewed, and reasonable inferences drawn therefrom only show that these diligence and collection efforts were made by a company that had significant credit concerns and acted in its interest to obtain better information and attempt to recover the funds it had loaned to the Debtors.

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<sup>3</sup> This number may be inflated as some Taly loans were rolled over and never actually repaid and re-loaned, as noted above.

46. As discussed above, Nissen confessed to Taly in early May, and Taly took steps to document those meetings, promptly went to the FBI with the information they obtained regarding Nissen's fraud and commenced the Taly Litigation to appoint a receiver shortly thereafter. Once the Receiver was appointed and the Corporate Debtors filed their bankruptcy cases, Taly served as a DIP lender, funding the investigation into the Ponzi scheme and into Taly's own pre-petition conduct. It is notable that in addition to the lack of any evidence to the contrary, Taly's actions as well as the speed with which Taly acted upon learning of the fraud are inconsistent with a party that participated or knowingly acted to benefit from the subject fraud.

47. The reasonable inference from Taly's actions both prior to and after the commencement of the Debtors' cases is consistent with the information obtained from the Examiner's interviews - that Taly had no knowledge of the Ponzi scheme prior to Nissen's confession on May 7, 2017.

**Conclusion**

48. Through the Investigation, the Examiner found no evidence from which a fact-finder could conclude that Taly had any knowledge of the Ponzi scheme prior to Nissen's confession on May 7, 2017. Rather, the evidence reviewed indicates that Taly did not have any such knowledge. This is corroborated by Taly's actions upon learning of the fraud, which were inconsistent with prior knowledge. Thus, the Examiner has not identified any claims the Corporate Debtors hold against Taly based on any action of Taly related to the Ponzi scheme perpetrated by Nissen, or knowledge of the scheme upon which Taly acted that could result in a challenge to its claims.<sup>4</sup>

Dated: New York, New York  
January 4, 2018

**ALAN D. HALPERIN, AS EXAMINER**

By: /s/ Alan D. Halperin  
Alan D. Halperin, solely in his capacity  
as Examiner

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<sup>4</sup> The Examiner notes that his Investigation was very narrow in scope and he did not analyze whether there may be any other causes of action the Corporate Debtors hold against Taly, which could include, but not be limited to preference actions, fraudulent conveyance actions and/or other causes of action beyond the scope of the Investigation. Investigation of such actions is the province of the Estate Fiduciary.