

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: COMMERCIAL DIVISION

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JEFFREY SIMPSON, individually and derivatively,
as managing member of JJ ARCH LLC,
suing derivatively as managing member of
ARCH REAL ESTATE HOLDINGS LLC,
and JJ ARCH LLC,

Plaintiffs

Index No. 158055/2023

-against-

JARED CHASSEN and FIRST REPUBLIC BANK,

Defendants

-----x
JARED CHASSEN, individually and derivatively
on behalf of JJ ARCH LLC, as member,
and as member of JJ ARCH LLC,
derivatively on behalf of 225 HPR LLC, JJ NY
550 LLC, 1640 MONTAUK LLC, 1640 MOTORS
LLC, 146 E. 89 BORROWER 1 LLC, and
ARCH REAL ESTATE HOLDINGS LLC,

Counterclaim Plaintiff

-against-

JEFFREY SIMPSON and YJ SIMCO LLC,

Counterclaim Defendants

-and-

JJ ARCH LLC, 225 HPR LLC, JJ NY 550 LLC,
1640 MONTAUK LLC, 1640 MOTORS
LLC, 146 E. 89 BORROWER 1 LLC, and
ARCH REAL ESTATE HOLDINGS LLC,

Nominal Defendants

-----x
608941 NJ INC.,

Plaintiff,

-against-

JEFFREY SIMPSON, JJ ARCH LLC and ARCH
REAL ESTATE HOLDINGS LLC,

Defendants

-and

ARCH REAL ESTATE HOLDINGS LLC,

Nominal Defendant

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**DEFENDANT JARED CHASSEN'S SECOND AMENDED VERIFIED ANSWER TO
PLAINTIFF'S COMPLAINT AND COUNTER-CLAIMS**

Defendant Jared Chassen ("Chassen" or "Defendant"), by and through his undersigned counsel, for his verified answer to Plaintiff Jeffrey Simpson's ("Simpson" or "Plaintiff") complaint answers and alleges to each of Plaintiff's allegations in the Complaint, quoted herein followed by Defendant's answer in bold font, as well as for his affirmative defenses, and second amended counterclaims against Simpson and YJ Simco LLC, states as follows:

VERIFIED ANSWER

NATURE OF THE ACTION

1. This action is brought by Plaintiffs to undo a coup d'état executed by Defendant Jared Chassen ("Chassen") in an effort to seize, from Plaintiff Jeffrey Simpson ("Simpson"), control over Plaintiff entities Arch Real Estate Holdings LLC ("Arch") and JJ Arch LLC ("JJ Arch") (collectively, Arch and JJ Arch are the "Arch Entities"). In addition, Plaintiffs seek to redress one of Chassen's successes in his efforts to wrest control of the Arch Entities from Simpson, *i.e.*, Chassen's inducement of a stalemate that has left Simpson unable to exercise control over bank accounts maintained by Arch Entities and their affiliates and subsidiaries at Defendant First Republic Bank ("First Republic"), which has left Arch Entities unable to use such accounts to pay for such necessities as payroll, subcontractors, materialmen, and insurance. Plaintiffs also seek to require Chassen to act to restore Simpson's access to his company email

account with Arch Entities, to the Dropbox account where Arch Entities' documents are stored, and Simpsons' ability to communicate with the domain company that hosts Arch Entities' web site.

Answer: Defendant lacks information sufficient to form a belief as to the truth of the allegations as to Plaintiff's motives in commencing the action, and otherwise denies the allegations in paragraph 1.

2. Plaintiff Simpson is a natural person who resides in the State of New York, County of New York.

Answer: Defendant admits the allegations in paragraph 2.

3. Plaintiff Arch is a limited liability company formed under the laws of the State of New York, with a principal place of business in the State of New York, County of New York.

Answer: Defendant admits the allegations in paragraph 3.

4. Arch is a real estate investment management, construction management, property management, and development company.

Answer: Defendant admits the allegations in paragraph 4.

5. Plaintiff JJ Arch is a limited liability company formed under the laws of the State of New York, with a principal place of business in the State of New York, County of New York.

Answer: Defendant admits the allegations in paragraph 5.

6. Defendant Chassen is a natural person who resides in the State of New York, County of Kings.

Answer: Defendant admits that he is a natural person who resides in the State of New York, but denies that he resides in the County of Kings.

7. Defendant First Republic is a nationally chartered bank that maintains offices for the transaction of business in, among other places, the State of New York, County of New York.

Answer: Defendant admits the allegations in paragraph 7.

FACTS APPLICABLE TO ALL CAUSES OF ACTION
BACKGROUND

Simpson's Tenure at Greystone

8. Simpson grew up under modest economic circumstances in Lakewood, New Jersey. His father, who was a public planning, zoning, and construction official, passed away

when Simpson was 22. For four consecutive generations including his own, Simpson's family has been in the construction business.

Answer: Defendant lacks information sufficient to form a belief as to the truth of the allegations in paragraph 8.

9. Prior to 2017 and the start of Arch, Simpson worked for eleven (11) years at Greystone Development ("Greystone Development"), a property development company within a host of companies under the "Greystone" umbrella that performed functions related to real estate investment, capital raising, financing, development, construction, management, leasing, and sales. For the last five of those years, Simpson was the Chief Executive Officer of Greystone Development. By the time he left Greystone Development, he was supervising approximately thirty (30) employees at Greystone Development, with a total payroll of approximately \$5 million. The total project volume was over \$2 billion, and involved properties located in New York, Miami, and California. While he was there, he also was responsible for raising several large capital initiatives for real estate investing in multi-family housing in the southeastern United States with an institutional partner, individual loan origination on complex assignments, and capital raising for structured finance.

Answer: Defendant admits that Plaintiff worked at Greystone, and held the role of Chief Executive Officer of Greystone Development, but lacks information sufficient to form a belief as to the truth of the remaining allegations in paragraph 9.

10. One employee Simpson supervised at Greystone Development was Chassen. Simpson originally hired Chassen at Greystone Development to replace an administrative assistant at Greystone Development. Once hired, Chassen performed the same duties as that administrative assistant, for the same salary as she had earned. Over time, Chassen took on other responsibilities, including helping to source properties, equity, and debt. Throughout his time at Greystone Development, Chassen reported to Simpson.

Answer: Defendant admits that he worked for Simpson at Greystone but otherwise denies the characterization of his role at Greystone as contained in paragraph 10.

11. Another employee Simpson supervised at Greystone was nonparty Tristan Last ("Last"). Last was formerly of Brookfield with a MBA from Cornell University. She was hired as an acquisitions associate and quickly was promoted to the Director of Investments.

Answer: Defendant admits that Tristan Last was an employee at Greystone who Simpson supervised, and had the title of Director of Investments, and otherwise lacks information sufficient to form a belief as to the truth of the allegations in paragraph 11.

12. A third employee Simpson supervised at Greystone was nonparty Michelle Miller ("Miller"). She was also an analyst. Miller started at Greystone Development as an intern, as a career switcher to real estate following the completion of her MBA from Northwestern. She was eventually hired full time as an analyst and grew in her role over time.

Answer: Defendant admits that Michelle Miller was an employee at Greystone who Simpson supervised and who started as intern, but otherwise lacks information sufficient to form a belief as the truth of the allegations in paragraph 12.

Simpson's Formation of Arch and JJ Arch

13. In 2017, Simpson left Greystone Development on amicable terms with that company, and formed a new company, Plaintiff Arch.

Answer: Defendant denies the allegations in paragraph 13, except that he admits that Simpson formed JJ Arch together with Chassen.

14. The original business address for Arch was Simpson's personal residence address at the time.

Answer: Defendant lacks information sufficient to form a belief as to the truth of the allegations in paragraph 14.

15. At all times since the formation of Arch, eighty percent (80%) of the membership interest in Arch has been held by Plaintiff JJ Arch, which is the managing member of Arch. (See Exhibit 1, Limited Liability Company Operating Agreement of Arch Real Estate Holdings LLC ["Arch Operating Agreement"], p. 17, §§ 6.1-6.2 [providing for distributions of cash flow and acquisition fees of 80% to "JJ Member" and 20% to "Investor Member"]; *id.* p. 1 preamble [defining JJ Arch LLC as "JJ Member"]; *id.* § 1.1, p. 7 [defining "Managing Member" as JJ Member].)

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 15.

16. At all times since the formation of Arch, the remaining twenty percent (20%) of the membership interest in Arch has been held by 608941 NJ Inc., a New Jersey corporation ("NJ Inc."), which is the investor member of Arch. (See Exhibit 1, Arch Operating Agreement, p. 17, §§ 6.1-6.2; *id.* p. 1 preamble [defining NJ Inc. as "Investor Member"].) NJ Inc. made an investment of approximately \$50 million in Arch, but has no authority to control the operation of Arch's business.

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 16.

17. Since the formation of JJ Arch, Simpson has been the managing member of JJ Arch and has held a majority of the membership interest in JJ Arch.

Answer: Defendant admits that Simpson was the managing member at the time JJ Arch was formed, and held a majority of the membership interests, and for four years thereafter, but otherwise denies the allegations in paragraph 17.

18. From the formation of JJ Arch until his forced resignation from his membership therein effective August 5, 2023, as discussed below, Chassen was a member of JJ Arch and held a minority of the membership interest in JJ Arch, and his job started out as administrative in nature.

Answer: Defendant denies the allegations in paragraph 18.

19. Simpson and Chassen are the only persons who have ever been members of JJ Arch.

Answer: Defendant admits the allegations in paragraph 19.

The Arch Companies' Growth Under Simpson's Leadership

20. Through JJ Arch, the managing member of Arch, Simpson has run all of Arch's businesses since the inception.

Answer: Defendant denies the allegations in paragraph 20.

21. By 2022, five years after Simpson formed Arch with no assets, Arch had owned and invested in over \$1 billion in assets.

Answer: Defendant denies the allegations in paragraph 21 insofar as it alleges that Arch was formed with no assets, or that Simpson formed Arch, but admits that Arch owned over \$1 billion in assets in 2022.

22. Arch has several affiliated companies, including a property management company, advising company, construction company, and asset management company, each of which provides services relating to real properties that Arch controls.

Answer: Defendant admits the allegations in paragraph 22.

23. Together, Arch and its affiliated companies have a total of approximately 100 employees. (Collectively, Arch Entities and Arch's affiliated companies are the "Arch Companies.")

Answer: Defendant admits that Arch did have approximately 100 employees and otherwise denies the allegations in paragraph 23.

24. The licenses and permits for each of the construction projects performed by the Arch Companies are in Simpson's name, as a licensed general contractor.

Answer: Defendant denies the allegations in paragraph 24.

25. Simpson holds responsibility for managing Arch Companies' commercial real estate construction projects and coordinating licensing and permitting matters.

Answer: Defendant denies the allegations in paragraph 25.

Chassen's Role with the Arch Companies

26. With Greystone's permission, Simpsons brought three Greystone Development employees with him to work at Arch, *i.e.*, Chassen, Last, and Miller.

Answer: Defendant denies that Simpson brought Chassen to work with him at Arch, which he formed together with Simpson, but admits that Last and Miller were brought by Simpson and Chassen to work at JJ Arch.

27. From the formation of JJ Arch and Arch, Chassen has been a minority member in JJ Arch, and thus has not had the authority to exercise control over Arch as Arch's managing member.

Answer: Defendant admits that Simpson was the majority or managing member at the formation of JJ Arch and Arch, but denies that Chassen has not had authority to exercise control over JJ Arch as JJ Arch's managing member since.

28. While the initial plan was for Chassen ultimately to become co-managing member, with Simpson, of JJ Arch, and thus share in Simpson's authority to control JJ Arch's exercise of its authority as managing member of Arch, Chassen's performance did not warrant this expansion of his authority, and Chassen consented to remain in his role as a minority member of JJ Arch on or about May 22, 2021.

Answer: Defendant admits that Chassen was to become a co-managing member under the Operating Agreement, and otherwise denies the allegations in paragraph 28.

29. The original plan, at the time JJ Arch was formed, was that Simpson was to be its managing member, with the authority to manage, arrange, and cause to be coordinated the business, affairs, and assets of JJ Arch. (Exhibit 2, JJ Arch Limited Liability Company Operating Agreement ["JJ Arch Original Operating Agreement"], p. 7, ¶ 3.1(a).) This was to be the case prior to the fourth anniversary of JJ Arch's operating agreement, *i.e.*, December 11, 2021. (*Id.*)

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 29.

30. However, following the fourth anniversary of the operating agreement, both Simpson and Chassen were to act as managing members of JJ Arch, with each of them holding the authority to manage, arrange, and cause to be coordinated JJ Arch's business, affairs, and assets. (Exhibit 2, JJ Arch Original Operating Agreement, p. 9 § 3.2.)

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 30.

31. In addition, the JJ Arch Original Operating Agreement provided Chassen with a veto over certain decisions or actions with regard to JJ Arch even prior to the fourth anniversary of the JJ Arch Original Operating Agreement, such that Simpson could make certain decisions defined as “Company Major Decisions” only if he had Chassen’s prior written consent. These actions included, among others, selling any asset of Arch Entities, borrowing or raising monies on behalf of Arch Entities, mortgaging Arch Entities’ properties, Arch Entities’ entering into any lease of space, and hiring any employee, consultant, or other personnel for Arch Entities. (See Exhibit 2, JJ Arch Original Operating Agreement, pp. 8-9, ¶¶ 3.1(b)(iii), (v)-(viii); see also *id.* p. 8 ¶ 3.1(b) [stating that “any action or decision that would constitute a Company Majority Decision shall be a Company Major Decision if made or taken by any Investment Entity”]; *id.* p. 4 [defining “Investment Entity” as including “AREH”]; *id.* p. 1 [defining “AREH” as Arch].)

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 31.

32. On the other hand, Simpson could take other actions without Chassen’s consent, including but not limited to conducting, managing, and controlling the affairs and business of Arch Entities; opening, maintaining and closing bank accounts and drawing checks; bringing legal actions on claims of Arch Entities; and depositing, withdrawing, investing, paying, retaining, and distributing Arch Entities’ funds in a manner consistent with the provisions of the JJ Arch Original Operating Agreement. (Exhibit 2, JJ Arch Original Operating Agreement, pp. 7-8 ¶¶ 3.1(a)(i)-(ii), (v)-(vi).)

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 32.

33. However, prior to the fourth anniversary of the JJ Arch Original Operating Agreement, Simpson had a discussion with Chassen, and informed him that Simpson did not believe Chassen had sufficient acumen in the business to be a co-managing member of JJ Arch and, by virtue of JJ Arch’s managing membership in Arch, a co-managing member of Arch. Chassen agreed with Simpson about this.

Answer: Defendant denies the allegations in paragraph 33.

34. JJ Arch’s operating agreement was thus amended, with Chassen’s consent, on or about May 22, 2021. The amendment removed the authority that Chassen would have had, following the fourth anniversary of the JJ Arch Original Operating Agreement, to manage, arrange, and cause to be coordinated the business, affairs and assets of JJ Arch. (Exhibit 3, JJ Arch LLC Agreement Amendment No. 1, p. 3 ¶ 2(d) [deleting § 3.2 of the JJ Arch Original Operating Agreement].) (The JJ Arch Original Operating Agreement, as amended by JJ Arch LLC Agreement Amendment No. 1, shall be referred to as the “JJ Arch Amended Operating Agreement”.) Thus, Chassen never had such authority. Because the list of actions and decisions for which Chassen’s consent was required, *i.e.*, the “Company Major Decisions,” remained effective only until the fourth anniversary of the JJ Arch Original Operating Agreement (*compare id.* p. 3 § 2(d) [new § 3.2] with Exhibit 2, JJ Arch Original Operating Agreement, p. 8

¶ 3.1(b)), this meant that Chassen would lose, and ultimately did lose, his right to refuse consent to Company Major Decisions after that anniversary, which occurred in December 2021.

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 34.

35. In addition, JJ Arch's operating agreement was amended to bar Chassen from becoming an equal equity owner in JJ Arch. When JJ Arch was formed, it was agreed that my share of JJ Arch's distributions, which would initially be 66.6667%, would decrease, and Chassen's share of JJ Arch's distributions, which would initially be 33.3333%, would commensurately increase, on an annual basis, such that, by the fourth anniversary of the operating agreement, *i.e.*, December 11, 2021, each of them would receive equal 50% shares of the distributions. (Exhibit 2, JJ Arch Original Operating Agreement, p. 4 § 1.1, Definition of "Distribution Percentages"; *id.* p. 12 ¶ 5.1(a)(ii); *id.* Exhibit A.)

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 35.

36. However, JJ Arch's operating agreement was amended, with Chassen's consent and as part of JJ Arch LLC Agreement Amendment No. 1 (the same amendment as discussed above), to provide that, indefinitely, Simpson is to receive 50.1% of the distributions from JJ Arch, and Chassen is to receive 49.9% of the distributions from JJ Arch. (Exhibit 3, JJ Arch LLC Agreement Amendment No. 1, p. 1 ¶ 2(a).)

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 36.

37. In addition, Arch's operating agreement provides that "the business, affairs and assets of [Arch] shall be managed, arranged and caused to be coordinated by Managing Member, who shall have, except as otherwise provided in [the operating agreement] (including, but not limited to, in Section 7.1.3), full, exclusive and complete discretion with respect thereto." (Exhibit 1, Arch Operating Agreement, p. 17, ¶ 7.1.1.) The Managing Member, *i.e.*, JJ Arch, has "the unilateral power and authority acting in good faith to make and implement all decisions with respect to all matters which [Arch] has the authority to perform both directly and indirectly through one or more Subsidiaries" (*id.* p. 18 ¶ 7.1.1), including, *inter alia*, those to "conduct, manage and control the affairs and business of [Arch]" (*id.* p. 18 ¶ 7.1.1(i)); "open, maintain and close bank accounts and drew checks or other orders for the payment of monies" (*id.* ¶ 7.1.1(ii)); "deposit, withdraw, invest, pay, retain and distribute [Arch's] funds in a manner consistent with the provisions of [the Arch Operating Agreement]" (*id.* ¶ 7.1.1(vi)); and "bring or defend . . . resort to legal action, or otherwise adjust claims . . . of [Arch]" (*id.* ¶ 7.1.1(v)).

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 37.

38. Thus, at all times Simpson has been, and remains, the managing member of JJ Arch, and Simpson has always had exclusive authority to, *inter alia*, open, maintain, and close

bank accounts on behalf of Arch Entities; to draw checks on those accounts; to deposit, withdraw, pay, and distribute Arch Entities' funds; and to bring legal actions on behalf of the Arch Entities.

Answer: Defendant denies the allegations in paragraph 38.

39. Chassen worked for Arch, and reported to Simpson. Simpson had the authority to give Chassen work assignments to do for Arch, and to take Arch work assignments away from Chassen.

Answer: Defendant admits that he is a member of JJ Arch and that he works for JJ Arch and otherwise denies the allegations in paragraph 39.

40. Until the events beginning August 4, 2023, as set forth below, Last had served as managing director of Arch.

Answer: Defendant denies the allegations in paragraph 40.

Means of Removing Members of Arch and JJ Arch

41. Under both the Arch Operating Agreement and the JJ Arch Amended Operating Agreement, members may be removed, on certain enumerated grounds, through a process that is initiated by the occurrence of a "Cause Event." The Arch Operating Agreement provides an enumerated list of eight acts, the commission of which, by the managing member, serves as a "Cause Event." (See Exhibit 1, Arch Operating Agreement, pp. 4-5, § 1.1, definition of "Cause Event".) The JJ Arch Amended Operating Agreement extends this definition of "Cause Event" to any member of JJ Arch. (See Exhibit 2, JJ Arch Amended Operating Agreement, p. 3, § 1.1, definition of "Cause Event".)

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 41.

42. The acts constituting "Cause Event[s]" include, but are not limited to, "willful misconduct in relation to the business or affairs of [Arch] or a Subsidiary," "breach of fiduciary duty in relation to the business or affairs of [Arch] or a Subsidiary," and "misappropriation of [Arch] or Subsidiary funds or property." (Exhibit 1, Arch Operating Agreement, § 1.1, pp. 4-5, Definition of "Cause Event".).

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 42.

43. Under the JJ Arch Operating Agreement, a member in JJ Arch is required to resign if a Cause Event has occurred with respect to such member, and the other member has delivered written notice thereof to that member. (See Exhibit 2, JJ Arch Amended Operating Agreement, p. 5, § 1.1, definition of "Resignation.") Notably, only "the other Member" may deliver such notice (*id.*); accordingly, only a current member of JJ Arch could trigger a

member's resignation through delivering notice of a Cause Event. Upon such Resignation, that member is no longer deemed a "member" of JJ Arch, and "shall not be entitled to any rights as a Member of the Company for any period from and after such Resignation." (*Id.*, p. 15, § 7.5(a).)

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 43.

44. Under the Arch Operating Agreement, in the event written notice of a Cause Event is delivered to JJ Arch, JJ Arch may be removed effective ten (10) business days after such delivery, or at such later date or as specified in such notice. (Exhibit 1, Arch Operating Agreement, p. 20, ¶ 7.1.4.)

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 44.

CHASSEN'S MISCONDUCT

Chassen Placed His Interests, and Those of His Family and Friends, Above Those of JJ Arch

45. In or about July 2023, Chassen acknowledged that his duties and role could not be compensated at the same level as previously, due to higher interest rates and a slowdown in business, and Arch would not be able to afford to pay Simpson, Chassen, and other key employees their full salaries, and Simpson asked Chassen whether he would be willing to accept a substantial reduction in his pay in order to enable Arch to remain in its status quo rather than building up debt.

Answer: Defendant denies the allegations in paragraph 45.

46. Chassen initially indicated to Simpson that Chassen would be willing to take such a pay cut, although at the time he did not inform Simpson how large of a pay cut he would be willing to take.

Answer: Defendant denies the allegations in paragraph 46.

47. In or about early July 2023, Simpson asked Chassen how large of a pay reduction Chassen would agree to. Chassen repeatedly avoided answering Simpson's requests on this point.

Answer: Defendant denies the allegations in paragraph 47.

48. Finally, on or about August 2, 2023, Chassen informed Simpson that, in fact, Chassen would not be willing to accept any pay reduction.

Answer: Defendant denies the allegations in paragraph 48.

The Coup Begins

49. Chassen, apparently working in concert with NJ Inc. and with several other employees of Arch, undertook a series of actions designed to steal control of Arch and JJ Arch from Simpson, in violation of Arch and JJ Arch's respective operating agreements. First, upon information and belief, at approximately 1:15 p.m. on Friday, August 4, 2023, Chassen contacted the bank at which Arch maintains its accounts, Defendant First Republic, and instructed First Republic to remove Simpson as an authorized signatory on all accounts he maintained with First Republic in either his corporate or individual capacity, including all bank accounts that the Arch Companies maintain with First Republic (the "Arch Accounts"), and also accounts Simpson maintained individually with no connection to the Arch Companies.

Answer: Defendant denies the allegations in paragraph 49.

50. Chassen was neither authorized to make this change, nor did he provide Simpson with any advance notice thereof.

Answer: Defendant denies the allegations in paragraph 50.

51. First Republic complied with Chassen's demand. First Republic informed Simpson that it no longer permits Simpson to make transactions from any of the accounts he maintains with First Republic in either his corporate or individual capacity, or, indeed, any other account on which Simpson was the signatory, including the Arch Accounts, accounts on which he was the signatory on behalf of entities other than the Arch Companies, and his own individual accounts.

Answer: Defendant denies the allegations in paragraph 51.

The Forced Resignation of Chassen from Arch

52. On August 5, 2023, Simpson sent Chassen an email wherein Simpson provided him written notice that he had committed a Cause Event, and that accordingly, under the JJ Arch Amended Operating Agreement, Chassen ceased to be a member of JJ Arch. (*See Exhibit 4* ["Notice to Chassen of Cause Event"].)

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 52.

53. Chassen had committed a Cause Event prior to the Notice to Chassen of Cause Event, in that Chassen had, without authority, acted to deprive Simpson of his ability to make transactions on the Arch Accounts and to seize that ability for himself.

Answer: Defendant denies the allegations in paragraph 53.

54. Chassen's acting, without authority, to deprive Simpson of his ability to make transactions on the Arch Accounts, and to seize that ability for himself, constituted willful

misconduct in relation to the business or affairs of Arch and JJ Arch and their subsidiaries, and therefore constituted a Cause Event under the JJ Arch Amended Operating Agreement.

Answer: Defendant denies the allegations in paragraph 54.

55. Chassen's acting, without authority, to deprive Simpson of his ability to make transactions on the Arch Accounts, and to seize that ability for himself, constituted a breach of fiduciary duty in relation to the business or affairs of Arch and JJ Arch and their subsidiaries, and therefore constituted a Cause Event under the JJ Arch Amended Operating Agreement.

Answer: Defendant denies the allegations in paragraph 55.

56. Chassen's acting, without authority, to deprive Simpson of his ability to make transactions on the Arch Accounts, and to seize that ability for himself, constituted a misappropriation of funds of Arch, JJ Arch, and their subsidiaries, and therefore constituted a Cause Event under the JJ Arch Amended Operating Agreement.

Answer: Defendant denies the allegations in paragraph 56.

57. Accordingly, the Notice of Chassen Cause Event triggered immediately Chassen's removal as a member of JJ Arch.

Answer: Defendant denies the allegations in paragraph 57.

The Coup Continues

58. Notwithstanding, Chassen proceeded in disregard of the Notice to Chassen of Cause Event. Specifically, over the weekend of August 5-6, 2023, the administrator of Arch's email and information technology systems, acting upon Chassen's instructions, locked Simpson out of his Arch Companies email account and all other Arch IT systems. Beginning no later than 5 p.m. on Sunday, August 6, 2023, Simpson no longer had access to his Arch Companies email account. At or about 10-11 a.m. on Monday, August 7, 2023, Simpson could no longer log onto his Arch-issued computer. As a result, Simpson could not obtain access to the business records of the Arch Companies, or the computer payroll program that Arch Companies use to pay their employees. Simpson was also locked out of the server hosting Arch Companies' web site, and Chassen made changes to such site, without Simpson's authorization, to remove references thereon to Simpson as a managing member.

Answer: Defendant admits that he resigned Simpson from JJ Arch, and that Simpson was locked from accounts when he was removed and removed as a member on the company website but lacks information sufficient to form a belief as to the truth of the exact times Simpson could no longer access company systems and otherwise denies the allegations in paragraph 58.

59. Chassen also retaliated for his removal as a member of JJ Arch by sending Simpson, by electronic mail, a signed letter on August 6, 2023, wherein he purported to inform Simpson

that Simpson was required to resign pursuant to the JJ Arch Amended Operating Agreement (“Chassen 8/6/23 Letter”). The Chassen 8/6/23 Letter asserted that Simpson had committed multiple Cause Events, none of which had actually occurred, and asserted that, as a result, a resignation from JJ Arch had occurred on Simpson’s part and Simpson was no longer a member of JJ Arch, nor did Simpson have any right to act on behalf of JJ Arch, Arch, or any subsidiary of JJ Arch.

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 59.

60. However, by the time of the Chassen 8/6/23 Letter, Chassen had already been removed as a member of JJ Arch pursuant to the Notice to Chassen of Cause Event. Accordingly, as noted above, Chassen could not, under the JJ Arch Amended Operating Agreement, trigger Simpson’s own resignation by delivering to him a purported notice of Cause Event.

Answer: Defendant denies the allegations in paragraph 60.

61. Moreover, even if the Chassen 8/6/23 Letter had been effective as a notice of Cause Event, it was not sent to Simpson until after Chassen’s instruction on August 4, 2023 to First Republic to strip Simpson of his signatory authority, so as of the time Chassen provided such instruction Simpson remained JJ Arch’s managing member with exclusive authority over the Arch Companies’ bank accounts, and Chassen’s instruction was in violation of Arch’s and JJ Arch’s operating agreements.

Answer: Defendant denies the allegations in paragraph 61.

62. In addition, on August 6, 2023, NJ Inc., sent Simpson a letter (the “8/6/23 NJ Inc. Letter”), wherein NJ Inc. asserted that JJ Arch, through Simpson’s actions, had committed multiple Cause Events under the Arch Operating Agreement, again none of which had actually occurred, and asserted that NJ Inc. reserved the right to remove JJ Arch as the managing member of Arch.

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 62.

63. In addition, Chassen arranged for the deactivation of the device Simpson uses to gain access to Arch’s physical office located at 88 University Place, New York, New York 10003, such that when Simpson attempted to enter his office there at 9:00 a.m. on Monday, August 7, 2023, he was unable to do so.

Answer: Defendant denies the allegations in paragraph 63.

64. Upon information and belief, on or about August 7, 2023, after he had already been duly removed as a member of JJ Arch, Chassen sent an email to employees of Arch Companies in which he instructed them not to come into the office to work that day, and falsely informed them that Simpson was deemed to have resigned from his managerial roles with Arch

Companies. He further instructed employees to not respond to any outreach from Simpson. Even before his removal as a member of JJ Arch, Chassen had no authority to do so.

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 64.

65. Simpson has since been able to regain access to his physical office at Arch. However, he still has only limited access to Arch's computer system, and is still unable to gain access to Arch's bank accounts. Through counsel, he demanded that First Republic restore him as a signatory on such accounts, and remove Chassen as a signatory. First Republic has refused to do so, and has advised Simpson that because it has "received conflicting instructions regarding the ownership and control" of such accounts, First Republic has placed a hold on those accounts, and will not permit any deposits or withdrawals from such accounts. (Exhibit 5, Letter from Christy Santoro, Preferred Banker at First Republic, to Jeffrey Simpson, dated Aug. 6, 2023, first page.) One hundred and fifty (150) accounts are subject to this hold. (*See id.*, second through fifth pages.) (Collectively, these are the "Arch Accounts.") These include accounts for Arch Companies, as well as accounts maintained for the purpose of holding monies held in trust for subcontractors, materialmen, and other persons involved in Arch Companies' construction projects who are beneficiaries under Article 3-A of the New York State Lien Law. First Republic has advised that it will not release the hold until it "receive[s] evidence satisfactory to us that there is no longer a dispute as to who has authority over the accounts" (*id.*, first page), or there is a court order requiring its release (*see* Exhibit 6, email from First Republic's in-house counsel to Plaintiffs' counsel).

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 65.

66. Continuation of First Republic's hold on the Arch Companies' bank accounts would wreak havoc on the Arch Companies. Arch Companies would be unable to meet their payroll, inflicting hardship both on Arch Companies' employees, who number approximately 100, and on Arch Companies themselves when such employees ultimately leave their positions for employment with companies whose minority members are not sabotaging company finances in order to extract concessions.

Answer: Defendant denies the allegations in paragraph 66.

67. With the hold on those bank accounts, Arch will also stand unable to pay its bills to vendors, such as insurance premiums (*see* Exhibit 7 hereto). Indeed, Arch Companies are now in default on many obligations as a result of their inability to make payments due to the hold. Arch Companies would also be unable to pay rent and other bills, and to make payments on construction loans and to investors in Arch Companies.

Answer: Defendant denies the allegations in paragraph 67.

68. The bank accounts that are subject to First Republic's hold also include trust accounts under Article 3-A of the New York State Lien Law, which hold funds in trust for, among others,

subcontractors and materialmen on construction projects being performed for Arch Company entities. Thus, the existing account hold prevents Arch Company entities from being able to pay their subcontractors and materialmen. This is doubly harmful to the Arch Companies, in that they now cannot pay those subcontractors and materialmen, which may cause them to cease performing their present construction work, and it also may dissuade them from performing projects for the Arch Companies in the future, out of fear that another, future frivolous dispute over company control may lead to another hold on Arch Companies' bank accounts and a recurrence of delays in paying them.

Answer: Defendant denies the allegations in paragraph 68.

69. With both Arch Companies' employees and their subcontractors leaving active job sites, there is a further risk that such sites will not be adequately staffed or supervised, or machinery there adequately maintained, creating a public safety risk that will result in injury to those remaining employees or subcontractors, and nearby members of the public.

Answer: Defendant denies the allegations in paragraph 69.

70. The aforesaid effects also endanger the general reputation of Arch Companies going forward, tarnishing it with the appearance that it cannot be trusted to fulfill its obligations.

Answer: Defendant denies the allegations in paragraph 70.

71. Another consequence of the coup perpetrated by Chassen is that Last, Arch's managing director, has resigned from her position with Arch on or about August 7, 2023, in response to said coup. Consequently, Arch has lost the benefit of Last's performance.

Answer: Defendant admits that Last resigned but otherwise denies the allegations in paragraph 71.

72. In addition, Chassen and Computero Inc. ("Computero"), the outside company acting as Arch's information technology consultant, have colluded to deny Simpson access to his Arch company email account. Computero first disregarded his instructions to remove Chassen's access to Arch's computer network and his Arch email account beginning shortly before the time Simpson provided the Notice to Chassen of Cause Event, then cut off Simpson's access to the Arch computer network and his Arch email account. Then, after Simpson made repeated requests to regain access to his email account, Computero restored his email access on the evening of Wednesday, August 9. However, approximately one hour after his email access was reinstated, it was again cut off, this time ostensibly by Microsoft. However, Chassen was Microsoft's only contact person at Arch Companies, and thus the only person who could have instructed Microsoft to cut off Simpson's email access. Simpson remains unable to gain access to his Arch email account, and thus unable to receive or respond to email communications from Arch's many employees.

Answer: Defendant denies the allegations in paragraph 72.

73. In addition, Simpson's access to Dropbox has not been restored, thus making it impossible for him to view the Arch Companies' internal documents, which are stored in Dropbox. Also, Chassen has engineered a situation in which he is the only contact person for the domain company that hosts Arch Companies' web site. Thus, Simpson cannot communicate with the domain company in order to update the web site, including restoring references to himself as the managing member and removing those to Chassen as a continuing employee and member of the Arch Companies following his resignation.

Answer: Defendant denies the allegations in paragraph 73.

74. The combined loss of email and Dropbox access have left Simpson, as the chief managerial figure at Arch Companies, effectively blind (unable to view documents) and deaf and mute (unable to communicate with the Arch Companies' employees, or with the public through Arch Companies' web site). This has rendered him unable to exercise his authority as managing member of JJ Arch, and left the Arch Companies as a rudderless ship.

Answer: Defendant denies the allegations in paragraph 74.

AS AND FOR A FIRST CAUSE OF ACTION
(Breach of the Amended JJ Arch Operating Agreement, Brought by Arch and by Simpson,
Against Defendant Chassen)

75. Plaintiffs repeat and reiterate each and every allegation in the foregoing paragraphs as if fully set forth herein.

Answer: Paragraph 75 does not require a responsive pleading, but to the extent it does, the allegations are denied.

76. The Amended JJ Arch Operating Agreement is a valid and binding agreement between Simpson and Chassen.

Answer: Paragraph 76 states a legal conclusion for which no responsive pleading is required, but to the extent such a response is required, the allegation is denied.

77. The Amended JJ Arch Operating Agreement is supported by valuable consideration.

Answer: Paragraph 77 states a legal conclusion for which no responsive pleading is required, but to the extent such a response is required, the allegation is denied.

78. Arch is expressly mentioned in the Amended JJ Arch Operating Agreement and defined therein as an "Investment Entity".

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 78.

79. Paragraph 3.1 of the Amended JJ Arch Operating Agreement sets forth powers that Simpson has with regard to matters which JJ Arch has the authority to perform “indirectly through an Investment Entity,” *i.e.*, through Arch.

Answer: Defendant refers the Court to the original documents for their true contents and otherwise denies the allegations in paragraph 79.

80. The Amended JJ Arch Operating Agreement was intended for Arch’s benefit.

Answer: Defendant denies the allegations in paragraph 80.

81. The benefit to Arch from the Amended JJ Arch Operating Agreement is sufficiently to indicate the assumption by the contracting parties of a duty to compensate Arch if it is lost.

Answer: Defendant denies the allegations in paragraph 81.

82. Arch is a third-party beneficiary of the Amended JJ Arch Operating Agreement.

Answer: Paragraph 77 states a legal conclusion for which no responsive pleading is required, but to the extent such a response is required, the allegation is denied.

83. Chassen materially breached the Amended JJ Arch Operating Agreement by conducting, managing, and controlling the affairs and business of JJ Arch, when, under ¶ 3.1(i) of the Amended JJ Arch Operating Agreement, only Simpson had the authority to do so.

Answer: Paragraph 83 states a legal conclusion for which no responsive pleading is required, but to the extent such a response is required, the allegations are denied.

84. Simpson has been injured by this breach of the Amended JJ Arch Operating Agreement, in that it has caused him to lose the ability to conduct, manage, and control the affairs of Arch Entities, and, so long as a hold remains on the Arch Companies’ bank accounts, he will continue to suffer a diminished ability to conduct, manage, and control the affairs of JJ Arch and of Arch.

Answer: Defendant denies the allegations in paragraph 84.

85. Arch has been injured by this breach of the Amended JJ Arch Operating Agreement, in that such breach has resulted in the resignation of Last and the loss of the value of her work to Arch; so long as a hold remains on the Arch Companies’ bank accounts, it will be unable to meet its financial obligations, including but not limited to paying its employees and vendors, including but not limited to its insurers; and Arch is likely to suffer reputational harm in the future.

Answer: Defendant denies the allegations in paragraph 85.

86. Chassen materially breached ¶ 3.1(ii) of the Amended JJ Arch Operating Agreement by stripping Simpson of the authority to control the Arch Companies' bank accounts and draw checks thereon, and transferring such authority to himself.

Answer: Paragraph 86 states a legal conclusion for which no responsive pleading is required, but to the extent such a response is required, the allegation is denied.

87. Simpson has been injured by this breach of the Amended JJ Arch Operating Agreement, in that it has caused him to lose the ability to control the Arch Companies' bank accounts and draw checks thereon, and such injury will continue into the future so long as a hold remains on the Arch Companies' bank accounts.

Answer: Defendant denies the allegations in paragraph 87.

88. Arch has been injured by this breach of the Amended JJ Arch Operating Agreement, in that Arch has lost the ability to meet its financial obligations, including but not limited to paying its employees and vendors, including but not limited to its insurers. Arch will continue to suffer such injury so long as a hold remains on the Arch Companies' bank accounts, and Arch is likely to suffer reputational harm in the future.

Answer: Defendant denies the allegations in paragraph 88.

89. Chassen materially breached ¶ 3.1(vi) of the Amended JJ Arch Operating Agreement by stripping Simpson of the authority to withdraw, pay, and distribute the funds of Arch Companies, and transferring such authority to himself.

Answer: Paragraph 89 states a legal conclusion for which no responsive pleading is required, but to the extent such a response is required, the allegation is denied.

90. Simpson has been injured by this breach of the Amended JJ Arch Operating Agreement, in that it has caused him to lose the ability to withdraw, pay, and distribute the funds of Arch Companies, and such injury will continue into the future so long as a hold remains on the Arch Companies' bank accounts.

Answer: Defendant denies the allegations in paragraph 90.

91. Arch has been injured by this breach of the Amended JJ Arch Operating Agreement, in that Arch has lost the ability to meet its financial obligations, including but not limited to paying its employees and vendors, including but not limited to its insurers. Arch will continue to suffer such injury so long as a hold remains on the Arch Companies' bank accounts, and Arch is likely to suffer reputational harm in the future.

Answer: Defendant denies the allegations in paragraph 91.

92. Chassen materially breached the "Resignation" provision of § 1.1 of the Amended JJ Arch Operating Agreement by purporting to deliver a notice of Cause Event to Simpson, when,

by the time he had done so, Chassen had been removed as a member of JJ Arch, and thus had no authority to do so, and when the purported Cause Events set forth in such notice had not occurred.

Answer: Paragraph 92 states a legal conclusion for which no responsive pleading is required, but to the extent such a response is required, the allegations are denied.

93. Simpson has been injured by this breach of the Amended JJ Arch Operating Agreement, in that Chassen has used it as a pretext to continue to conduct, manage, and control the affairs of Arch Entities, to the exclusion of Simpson.

Answer: Defendant denies the allegations in paragraph 93.

94. Arch has been injured by this breach of the Amended JJ Arch Operating Agreement, in that, with Chassen having used it as a pretext to dispute, to First Republic, Simpson's authority to control Arch Companies' bank accounts with First Republic, a hold has been placed on such accounts, and Arch has lost the ability to meet its financial obligations, including but not limited to paying its employees and vendors, including but not limited to its insurers. Arch will continue to suffer such injury so long as a hold remains on the Arch Companies' bank accounts, and Arch is likely to suffer reputational harm in the future.

Answer: Defendant denies the allegations in paragraph 94.

95. By law, the Amended JJ Arch Operating Agreement contains an implied covenant of good faith and fair dealing, pursuant to which Chassen had an obligation not to act in such a manner as to injure Simpson's rights to receive the fruits of said agreement or to prevent Simpson from performing his duties under said agreement.

Answer: Paragraph 95 states a legal conclusion for which no responsive pleading is required, but to the extent such a response is required, the allegation is denied.

96. Chassen prevented Simpson from performing his duties under the Amended JJ Arch Operating Agreement by acting so as to deny Simpson:

- (a) the ability to manage the Arch Companies' finances, by depriving Simpson of his ability to make transactions using the Arch Accounts;
- (b) physical access to his office;
- (c) the use of Simpson's email account to communicate with employees of the Arch Companies;
- (d) the use of Dropbox to obtain access to the Arch Companies' corporate documents; and
- (e) the ability to manage Arch Companies' web site by communicating with the domain company that hosts such web site.

Answer: Defendant denies the allegations in paragraph 96.

97. Chassen prevented Simpson from receiving the fruits of the Amended JJ Arch Operating Agreement by purporting to terminate, upon false pretenses and without authority to do so, Simpson's role as managing member of JJ Arch by sending the Chassen 8/6/23 Letter.

Answer: Defendant denies the allegations in paragraph 97.

98. By his aforesaid conduct, Chassen has injured Simpson's rights to receive the fruits of the Amended JJ Arch Operating Agreement and prevented Simpson from performing his duties under said agreement.

Answer: Defendant denies the allegations in paragraph 98.

99. By his aforesaid conduct, Chassen has breached the implied covenant of good faith and fair dealing in the Amended JJ Arch Operating Agreement.

Answer: Paragraph 99 states a legal conclusion for which no responsive pleading is required, but to the extent such a response is required, the allegation is denied.

100. For the reasons set forth above, Simpson and JJ Arch have been injured by Chassen's breach of the implied covenant of good faith and fair dealing in the Amended JJ Arch Operating Agreement.

Answer: Defendant denies the allegations in paragraph 100.

101. Simpson has complied with the Amended JJ Arch Operating Agreement in all respects.

Answer: Defendant denies the allegations in paragraph 101.

102. As the managing member of JJ Arch expressly empowered to bring suit on behalf of JJ Arch pursuant to JJ Arch Amended Operating Agreement (Exhibit 3, JJ Arch Amended Operating Agreement, ¶ 3.1(a)(v)), Simpson may assert this claim of JJ Arch's under JJ Arch's name.

Answer: Paragraph 102 states a legal conclusion for which no responsive pleading is required, but to the extent such a response is required, the allegation is denied.

103. In the alternative, as a member of JJ Arch, Simpson has standing to assert this claim derivatively on behalf of JJ Arch.

Answer: Paragraph 103 states a legal conclusion for which no responsive pleading is required, but to the extent such a response is required, the allegation is denied.

104. Simpson and Arch have suffered damages, and in the future will continue to suffer damages, in an amount to be determined at trial.

Answer: Defendant denies the allegations in paragraph 104.

AS AND FOR A SECOND CAUSE OF ACTION
(Breach of Fiduciary Duty, Brought by JJ Arch and by Simpson, Against Defendant Chassen)

105. Plaintiffs repeat and reiterate each and every allegation in the foregoing paragraphs as if fully set forth herein.

Answer: Paragraph 105 does not require a responsive pleading, but to the extent it does, the allegations are denied.

106. Chassen, as a member of JJ Arch, had a fiduciary duty to JJ Arch and to the other member of JJ Arch, Simpson.

Answer: Paragraph 106 states a conclusion of law for which no responsive pleading is required, but to the extent one is required the allegations are denied.

107. Chassen had a duty of loyalty to JJ Arch and to Simpson.

Answer: Paragraph 107 states a conclusion of law for which no responsive pleading is required, but to the extent one is required the allegations are denied.

108. This duty of loyalty obligated Chassen to act in the best interests of JJ Arch and Simpson, and not to pursue Chassen's own personal interest at the expense of the well-being of JJ Arch and Simpson.

Answer: Paragraph 108 states a conclusion of law for which no responsive pleading is required, but to the extent one is required the allegations are denied.

109. Chassen engaged in misconduct by numerous means, including but not limited to by acting so as to deny Simpson:

- (a) the ability to manage the Arch Companies' finances, by depriving Simpson of his ability to make transactions using the Arch Accounts;
- (b) physical access to his office;
- (c) the use of Simpson's email account to communicate with employees of the Arch Companies;
- (d) the use of Dropbox to obtain access to the Arch Companies' corporate documents; and
- (e) the ability to manage Arch Companies' web site by communicating with the domain company that hosts such web site.

Answer: Defendant denies the allegations in paragraph 109.

110. Chassen's misconduct resulted directly in damages to Simpson, in that it deprived Simpson of the ability to manage the Arch Companies' finances, gain access to his office,

communicate with the Arch Companies' employees, gain access to Arch Companies' corporate documents, and manage the Arch Companies' web site.

Answer: Defendant denies the allegations in paragraph 110.

111. Chassen's misconduct resulted directly in damages to JJ Arch, in that it made it impossible for Simpson to pay financial obligations of JJ Arch, communicate with the Arch Companies' employees through email, and gain access to Arch Companies' corporate documents, and it made it impossible for anyone at Arch Companies, other than Chassen, who had already been duly removed from JJ Arch, to manage the Arch Companies' web site.

Answer: Defendant denies the allegations in paragraph 111.

112. By seizing control of JJ Arch in violation of the JJ Arch Amended Operating Agreement, and by conducting himself, as a member of JJ Arch, in a manner that placed his own interests and those of his personal associates above those of JJ Arch and Simpson, Chassen breached his duty of loyalty.

Answer: Defendant denies the allegations in paragraph 112.

113. Simpson has been damaged, and continues to be damaged, by Chassen's conduct in violation of his duty of loyalty, as set forth above.

Answer: Defendant denies the allegations in paragraph 113.

114. JJ Arch has been damaged, and continues to be damaged, by Chassen's conduct in violation of his duty of loyalty, in that such conduct has caused economic harm to Arch as set forth above, and is expected to continue to cause such harm in the future, by virtue of present and expected future decreases in the value of JJ Arch's equity interest in Arch and decreases in the distributions JJ Arch is to receive from Arch.

Answer: Defendant denies the allegations in paragraph 114.

115. As the managing member of JJ Arch expressly empowered to bring suit on behalf of JJ Arch pursuant to JJ Arch Amended Operating Agreement (Exhibit 3, JJ Arch Amended Operating Agreement, ¶ 3.1(a)(v)), Simpson may assert this claim of JJ Arch's under JJ Arch's name.

Answer: Paragraph 115 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant refers the Court to the original document for its true contents and otherwise denies the allegations.

116. In the alternative, as a member of JJ Arch, Simpson has standing to assert this claim derivatively on behalf of JJ Arch.

Answer: Paragraph 116 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

117. Simpson and JJ Arch have suffered damages, and in the future will continue to suffer damages, in an amount to be determined at trial.

Answer: Defendant denies the allegations in paragraph 117.

AS AND FOR A THIRD CAUSE OF ACTION
(Conversion, Brought by All Plaintiffs Against Defendant Chassen)

118. Plaintiffs repeat and reiterate each and every allegation in the foregoing paragraphs as if fully set forth herein.

Answer: Paragraph 105 does not require a responsive pleading, but to the extent it does, the allegations are denied.

119. The funds Arch Companies have on deposit in the Arch Accounts ("Arch Companies Funds") belong to Arch Companies.

Answer: Defendant lacks information sufficient to form a belief as to the truth of the allegations in paragraph 119.

120. Simpson, Arch, and JJ Arch have an immediate superior right of possession, relative to Chassen, to the Arch Companies Funds.

Answer: Defendant denies the allegations in paragraph 120.

121. The Arch Companies Funds are personal property.

Answer: The allegations in paragraph 121 state a conclusion of law for which no responsive pleading is required, but to the extent a responsive pleading is required, the allegations are denied.

122. The Arch Companies Funds are specific, identifiable funds.

Answer: The allegations in paragraph 121 state a conclusion of law for which no responsive pleading is required, but to the extent a responsive pleading is required, the allegations are denied.

123. Chassen, intentionally and without authority, acted to deprive Simpson of Simpson's authority, under the JJ Arch Amended Operating Agreement and the Arch Operating Agreement, to possess and control the Arch Companies Funds.

Answer: Defendant denies the allegations in paragraph 123.

124. Chassen has exercised unauthorized dominion over the Arch Companies Funds to the exclusion of the rights of Simpson, Arch, and JJ Arch.

Answer: Defendant denies the allegations in paragraph 124.

125. Chassen has an obligation to return control over the Arch Companies Funds to Simpson, Arch, and JJ Arch, but has not done so.

Answer: Defendant denies the allegations in paragraph 125.

126. As the managing member of JJ Arch expressly empowered to bring suit on behalf of JJ Arch pursuant to JJ Arch Amended Operating Agreement (Exhibit 3, JJ Arch Amended Operating Agreement, ¶ 3.1(a)(v)), Simpson may assert this claim of JJ Arch's under JJ Arch's name.

Answer: Paragraph 126 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant refers the Court to the original document for its true contents and otherwise denies the allegations.

127. In the alternative, as a member of JJ Arch, Simpson has standing to assert this claim derivatively on behalf of JJ Arch.

Answer: Paragraph 127 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

128. As managing member of JJ Arch, which in turn is the managing member of Arch, Simpson has standing to bring this claim derivatively on behalf of Arch.

Answer: Paragraph 128 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

129. Simpson, Arch, and JJ Arch have been injured, and continue to be injured, by Chassen's conversion of the Arch Companies Funds, in an amount to be determined at trial.

Answer: Defendant denies the allegations in paragraph 129.

AS AND FOR A FOURTH CAUSE OF ACTION
(Tortious Interference with Contractual Relations, Brought by Arch and JJ Arch Against
Chassen)

130. Plaintiffs repeat and reiterate each and every allegation in the foregoing paragraphs as if fully set forth herein.

Answer: Paragraph 130 does not require a responsive pleading, but to the extent it does, the allegations are denied.

131. Arch and JJ Arch have a valid and binding contract with a third party, *i.e.*, First Republic, pursuant to which JJ Arch, Arch, and the other Arch Companies deposit funds in bank accounts maintained by First Republic (the Arch Companies Funds), and First Republic holds such funds for the benefit of JJ Arch, Arch, and the other Arch Companies (the “First Republic Agreement”).

Answer: Defendant admits that Arch and JJ Arch have a banking relationship with First Republic, and have bank accounts there, but otherwise denies the allegations in paragraph 131.

132. Pursuant to the First Republic Agreement, the Arch Companies Funds may be spent and distributed by a person duly authorized by JJ Arch.

Answer: Defendant refers the court to the original documents and otherwise denies the allegations in paragraph 132.

133. The sole person duly authorized by JJ Arch to spend and distribute monies from the Arch Companies Funds is Simpson.

Answer: Defendant denies the allegations in paragraph 133.

134. At all relevant times, Chassen knew of the First Republic Agreement, and that Simpson was the sole person duly authorized by JJ Arch to spend and distribute monies from the Arch Companies Funds.

Answer: Defendant denies the allegations in paragraph 134.

135. Chassen is a non-party to the First Republic Agreement.

Answer: Defendant denies the allegations in paragraph 134.

136. Chassen intentionally procured the breach, by First Republic, of the First Republic Agreement, by misrepresenting to First Republic that Chassen, and not Simpson, is the person duly authorized by JJ Arch to spend and distribute monies from the Arch Companies Funds.

Answer: Defendant denies the allegations in paragraph 136.

137. Arch and JJ Arch have been damaged by Chassen’s procurement of First Republic’s breach of the First Republic Agreement, in that as a result Simpson has been unable to spend, distribute, or otherwise control the Arch Companies Funds, on behalf of Arch and JJ Arch, as the duly authorized person pursuant to the First Republic Agreement, and pursuant to

his authority under the Arch Operating Agreement and the JJ Arch Amended Operating Agreement.

Answer: Defendant denies the allegations in paragraph 137.

138. JJ Arch and Arch have been damaged by Chassen's procurement of First Republic's breach of the First Republic Agreement, in that as a result, as set forth above, they have been, and remain, unable to fulfill their obligations to others, including but not limited to their employees, vendors, subcontractors, and materialmen, and as a result, those persons may cease performing services for JJ Arch and Arch, and JJ Arch and Arch may incur further obligations to those persons or to other persons in the future, or having difficulty in the future finding other persons who will be willing to work for or contract with them.

Answer: Defendant denies the allegations in paragraph 138.

139. Chassen's actions constitute tortious interference with the First Republic Agreement.

Answer: Paragraph 139 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

140. As the managing member of JJ Arch expressly empowered to bring suit on behalf of JJ Arch pursuant to JJ Arch Amended Operating Agreement (Exhibit 3, JJ Arch Amended Operating Agreement, ¶ 3.1(a)(v)), Simpson may assert this claim of JJ Arch's under JJ Arch's name.

Answer: Paragraph 140 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant refers the Court to the original document for its true contents and otherwise denies the allegations.

141. In the alternative, as a member of JJ Arch, Simpson has standing to assert this claim derivatively on behalf of JJ Arch.

Answer: Paragraph 141 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

142. As managing member of JJ Arch, which in turn is the managing member of Arch, Simpson has standing to bring this claim derivatively on behalf of Arch.

Answer: Paragraph 142 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

143. Arch and JJ Arch have been injured, and continue to be injured, by Chassen's tortious interference with the Arch Contracts, in an amount to be determined at trial.

Answer: Defendant denies the allegations in paragraph 143.

AS AND FOR A FIFTH CAUSE OF ACTION
(Declaratory Judgment, Brought by All Plaintiffs, Against Chassen)

144. Plaintiffs repeat and reiterate each and every allegation in the foregoing paragraphs as if fully set forth herein.

Answer: Paragraph 144 does not require a responsive pleading, but to the extent it does, the allegations are denied.

145. There is a justiciable controversy between Plaintiffs on the one hand, and Chassen on the other, as to whether

- (a) the Notice to Chassen of Cause Event removed Chassen as a member of JJ Arch; and
- (b) the Chassen 8/6/23 Letter removed Simpson as a member of JJ Arch.

Answer: Paragraph 145 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

146. Plaintiffs have taken the position that the Notice of Chassen of Cause Event removed Chassen as a member of JJ Arch, and the Chassen 8/6/23 Letter did not remove Simpson as a member of JJ Arch.

Answer: Defendant admits the allegations in paragraph 146.

147. Chassen has taken the position that the Notice of Chassen of Cause Event did not remove Chassen as a member of JJ Arch, and the Chassen 8/6/23 Letter removed Simpson as a member of JJ Arch. However, both positions taken by Chassen are incorrect.

Answer: Defendant admits that he has taken those positions but denies that they are incorrect.

148. The aforesaid dispute between the parties represents a genuine, concrete dispute involving substantial legal interests.

Answer: Defendant denies the allegations in paragraph 148 because both letters were declared nullities by order of the Court.

149. As the managing member of JJ Arch expressly empowered to bring suit on behalf of JJ Arch pursuant to JJ Arch Amended Operating Agreement (Exhibit 3, JJ Arch Amended Operating Agreement, ¶ 3.1(a)(v)), Simpson may assert this claim of JJ Arch's under JJ Arch's name.

Answer: Paragraph 149 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant refers the Court to the original document for its true contents and otherwise denies the allegations.

150. In the alternative, as a member of JJ Arch, Simpson has standing to assert this claim derivatively on behalf of JJ Arch.

Answer: Paragraph 150 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

151. As managing member of JJ Arch, which in turn is the managing member of Arch, Simpson has standing to bring this claim derivatively on behalf of Arch.

Answer: Paragraph 151 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

152. Plaintiffs are therefore entitled to a declaration of the legal rights of the parties to resolve the aforesaid dispute.

Answer: Paragraph 152 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

153. There is no adequate remedy at law.

Answer: Paragraph 153 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

AS AND FOR A SIXTH CAUSE OF ACTION
(Declaratory Judgment, Brought by All Plaintiffs, Against Chassen and First Republic)

154. Plaintiffs repeat and reiterate each and every allegation in the foregoing paragraphs as if fully set forth herein.

Answer: Paragraph 154 does not require a responsive pleading, but to the extent it does, the allegations are denied.

155. There is a justiciable controversy between Plaintiffs on the one hand, and Defendants on the other, as to whether Simpson or Chassen is the individual at JJ Arch and Arch entitled to exercise control over the Arch Accounts, and whether the hold on the Arch Accounts should be removed.

Answer: Paragraph 155 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

156. Plaintiffs have taken the position that Simpson is the individual at JJ Arch and Arch entitled to exercise control over the Arch Accounts, and the hold on the Arch Accounts must be released.

Answer: Defendant admits the allegations in paragraph 156.

157. Chassen has taken the position that Chassen is the individual at JJ Arch and Arch entitled to exercise control over the Arch Accounts. However, the position taken by Chassen is incorrect.

Answer: Defendant admits that he has taken the position but denies the position is incorrect.

158. First Republic has taken the position that it cannot determine whether Simpson or Chassen is the individual at JJ Arch and Arch entitled to exercise control over the Arch Accounts, and that the hold should remain on the Arch Accounts. However, the position taken by First Republic is incorrect.

Answer: Defendant admits that First Republic has taken the position, but denies the position is incorrect.

159. The aforesaid dispute among the parties represents a genuine, concrete dispute involving substantial legal interests.

Answer: Paragraph 159 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

160. As the managing member of JJ Arch expressly empowered to bring suit on behalf of JJ Arch pursuant to JJ Arch Amended Operating Agreement (Exhibit 3, JJ Arch Amended Operating Agreement, ¶ 3.1(a)(v)), Simpson may assert this claim of JJ Arch's under JJ Arch's name.

Answer: Paragraph 160 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant refers the Court to the original document for its true contents and otherwise denies the allegations.

161. In the alternative, as a member of JJ Arch, Simpson has standing to assert this claim derivatively on behalf of JJ Arch.

Answer: Paragraph 161 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

162. As managing member of JJ Arch, which in turn is the managing member of Arch, Simpson has standing to bring this claim derivatively on behalf of Arch.

Answer: Paragraph 162 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

163. Plaintiffs are therefore entitled to a declaration of the legal rights of the parties to resolve the aforesaid dispute.

Answer: Paragraph 163 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

164. There is no adequate remedy at law.

Answer: Paragraph 164 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

AS AND FOR A SEVENTH CAUSE OF ACTION
(Preliminary and Permanent Injunction, Brought by All Plaintiffs Against Chassen and First Republic)

165. Plaintiffs repeat and reiterate each and every allegation in the foregoing paragraphs as if fully set forth herein.

Answer: Paragraph 165 does not require a responsive pleading, but to the extent it does, the allegations are denied.

166. Plaintiffs have a likelihood of success on the merits on their claim that Simpson has the right to control, on the behalf of JJ Arch and Arch, the Arch Accounts.

Answer: Paragraph 166 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

167. In the event that the hold First Republic has placed on the Arch Accounts is not lifted immediately, and the right to control the Arch Accounts is not restored to Simpson, Plaintiffs, and third parties, will experience imminent and irreparable injury.

Answer: Paragraph 167 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

168. Such injury will be in the form of Arch Companies being unable to pay their employees, resulting in economic harm to such employees, and at least some of such employees imminently leaving employment with the Arch Companies and seeking work elsewhere; lack of supervision on construction projects supervised by the Arch Companies, imminently resulting in

physical injury to members of the public at the construction sites; Arch Companies being unable to pay subcontractors and materialmen on projects, imminently resulting in such subcontractors and materialmen ceasing work on the projects, again imminently resulting in physical injury to members of the public at unsupervised construction sites, as well as economic injury to the Arch Companies owning the project sites, due to delayed completion of projects; and long-term economic damage to Arch Companies, as future efforts at recruiting employees and contracting with third parties are hindered due to damage to Arch Companies' reputation due to a sustained inability to fulfill their obligations.

Answer: Defendant denies the allegations in paragraph 168.

169. The only way forward, therefore, to protect Arch Companies, their employees, subcontractors, materialmen, and vendors, and members of the public at large, is for the Court to order that First Republic release its hold on Arch Companies' bank accounts, and restore to Simpson his contractually guaranteed exclusive right to control the finances, and the checkbooks, of Arch Companies.

Answer: Defendant denies the allegations in paragraph 169.

170. The balance of the equities favors Plaintiffs.

Answer: Defendant denies the allegations in paragraph 170.

171. Plaintiffs are entitled to a preliminary and permanent injunction requiring First Republic, immediately, to lift the hold it has placed on the Arch Accounts, and to restore to Simpson the exclusive right to control the Arch Accounts on behalf of JJ Arch and Arch.

Answer: Paragraph 171 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

172. There is no adequate remedy at law.

Answer: Paragraph 172 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

AS AND FOR AN EIGHTH CAUSE OF ACTION
(Preliminary and Permanent Injunction, Brought by All Plaintiffs Against Chassen)

173. Plaintiffs repeat and reiterate each and every allegation in the foregoing paragraphs as if fully set forth herein.

Answer: Paragraph 173 does not require a responsive pleading, but to the extent it does, the allegations are denied.

174. Plaintiffs have a likelihood of success on the merits of their claim that Simpson is entitled to have access to his email account with Arch Companies, have access to Arch Companies' Dropbox file, and communicate with the company hosting the Arch Companies' web site.

Answer: Paragraph 174 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

175. In the event that Simpson is unable to gain access to his email account with Arch Companies, have access to Arch Companies' Dropbox file, and communicate with the company hosting the Arch Companies' web site, and Plaintiffs will suffer irreparable injury.

Answer: Paragraph 175 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

176. The balance of the equities favors Plaintiffs.

Answer: Paragraph 176 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

177. Plaintiffs are entitled to a preliminary and permanent injunction requiring Chassen to take, immediately, all actions necessary to enable Simpson to gain access to his email account with Arch Companies, have access to Arch Companies' Dropbox file, and communicate with the company hosting the Arch Companies' web site.

Answer: Paragraph 177 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

178. There is no adequate remedy at law.

Answer: Paragraph 178 states conclusions of law for which no responsive pleading is required, but to the extent such a response is required, Defendant denies the allegations.

AFFIRMATIVE DEFENSES

First Affirmative Defense

Plaintiffs fail to state a claim as a matter of law.

Second Affirmative Defense

Plaintiffs' claims fail based on documentary evidence.

Third Affirmative Defense

Plaintiffs improperly intermingle their direct and derivative claims, which mandates the dismissal of the entire complaint.

Fourth Affirmative Defense

Plaintiffs' claims should be dismissed as duplicative.

Fifth Affirmative Defense

Plaintiffs' claims fail under the doctrine of in pari delicto.

Sixth Affirmative Defense

Plaintiffs' claims fail because of Plaintiff's unclean hands.

Seventh Affirmative Defense

Plaintiffs' claims fail under the doctrines of waiver and estoppel.

Eighth Affirmative Defense

Plaintiffs' derivative claims fail because under Section 10.2 of the JJ Arch Operating Agreement, JJ Arch is obligated to indemnify Defendant for any claim "for any loss, damage, or claim incurred" by Defendant "by reason of any act or omission performed or omitted . . . in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of authority conferred . . . by this Agreement." Defendant's conduct has been entirely in good faith, on behalf of the company, and in a manner reasonably believed to be within the scope of the authority conferred by the Operating Agreement.

Ninth Affirmative Defense

Plaintiffs' claims fail because the Amended JJ Arch Operating Agreement by which Simpson purported to retain sole managerial authority after December 11, 2021 is

unconscionable. Despite Chassen vocalizing his disagreement, Simpson presented him with the Amendment on a take-it-or-leave-it basis, threatening him that he would remove him from the business entirely if he did not sign the Amendment. Chassen signed the Amendment under undue pressure and threats. Simpson pressured Chassen not to hire his own counsel to review the Amendment and limited his involvement in calls Simpson took with the shared Arch Entities' counsel David Heymann who Simpson had draft the amendment in his favor, while Heymann purported to represent both of them. Chassen was never disclosed Heymann's actual conflicts, and Chassen did not execute any conflict waiver. Simpson was also in a relationship of confidence and trust with Defendant, who had been his mentor in the industry. Simpson took advantage of that relationship of trust.

Because of their unequal bargaining power, prior relationship, Simpson's threats, and deceptive and coercive tactics, and the parties' confidential relationship, Chassen lacked meaningful choice in entering into the Amendment.

And the Amendment itself was substantively unconscionable as it contained only favorable terms to Simpson and gave away Chassen's managerial rights as well as his membership percentage under the Operating Agreement for nothing.

Tenth Affirmative Defense

Plaintiffs' claims fail because the Amended JJ Arch Operating Agreement by which Simpson purported to retain sole managerial authority fails for lack of consideration. The Amendment contained only favorable terms to Simpson for nothing of real value.

Eleventh Affirmative Defense

Plaintiffs' claims fail because the Amended JJ Arch Operating Agreement by which Simpson purported to retain sole managerial authority was the product of duress and undue influence and breaches of fiduciary duty.

Twelfth Affirmative Defense

Plaintiffs' claims fail because Simpson was in a relationship of trust and confidence at the time of the drafting and execution of the Amended JJ Arch Operating Agreement by which Simpson purported to retain sole managerial authority, and a special burden should be shifted to the party in whom the trust is reposed, Simpson, to disprove fraud or overreaching. *In re Estate of Greiff*, 92 N.Y.2d 341, 345 (1998). Given Chassen relationship of trust and confidence with Simpson, the burden is on Simpson to establish that he did not enter the Amended JJ Arch Operating Agreement by undue influence or coercion, which burden he cannot meet.

Thirteenth Affirmative Defense

Plaintiffs' claims fail because Simpson breached his fiduciary duties to Chassen, JJ Arch, Arch Real Estate, 35 Oak, and Arch's investors.

Fourteenth Affirmative Defense

Plaintiffs' claims fail because Simpson was lawfully resigned from JJ Arch and Simpson did not lawfully resign Chassen.

Fifteenth Affirmative Defense

Defendant reserves his right to assert additional affirmative defenses as additional information is learned during the course of this action.

WHEREFORE, the Court should award and enter judgment in Defendant's favor, dismiss the Complaint in its entirety, and award Defendant his legal fees and costs.

SECOND AMENDED VERIFIED COUNTER-CLAIMS

Jared Chassen (“Chassen”), individually and derivatively on behalf of JJ Arch, LLC (“JJ Arch”) and, as member of JJ Arch, derivatively on behalf of 225 HPR LLC (“HPR LLC”), JJ NY 550 LLC, (“JJ 550”), 1640 Montauk LLC (“1640 Montauk”), 1640 Motors LLC (“1640 Motors”), 146 E. 89 Borrower 1 LLC (“Borrower 1”) and Arch Real Estate Holdings, LLC (“AREH”), for his second amended counterclaims against Jeffrey Simpson (“Simpson”) and YJ Simco LLC (“Simco”), alleges as follows:

1. This is an action for breach of fiduciary duty, breach of contract, rescission, accounting, and declaratory relief and a permanent injunction brought by Chassen in his own individual capacity, and derivatively on behalf of JJ Arch, HPR LLC, JJ 550, 1640 Montauk, 1640 Motors, Borrower 1, and AREH against Simpson, as well as a direct action by Chassen against Simpson and Simco for breach of contract, specific performance, and a declaratory judgment. Chassen seeks, among other things, to recover for Simpson’s breaches of fiduciary duty and other corporate wrongdoing, to declare that Chassen is the sole member of JJ Arch, and to declare Simpson resigned as a member of JJ Arch.

Parties

2. Plaintiff Chassen is an individual residing in the State of New York. He is a member of JJ Arch, which in turn is the sole member of HPR LLC, JJ 550, 1640 Montauk, 1640 Motors, and Borrower 1, and a member of AREH. Chassen has over 15 years of experience in the real estate industry. Among other work before forming JJ Arch, he worked at Greystone Development (“Greystone”) an affiliate of Greystone & Co., Inc. a firm that provides real estate services.

3. Defendant Simpson is an individual residing in the State of New York. He is a member of JJ Arch, which in turn was the managing member of AREH until its interm removal

during the pendency of this proceeding. Before forming JJ Arch with Chassen, Simpson worked with Chassen at Greystone.

4. Defendant Simco is a New York limited liability corporation that upon information and belief has two members, Simpson and his wife Yael Simpson.

5. Nominal Defendant JJ Arch is a New York limited liability corporation. It was formed by Chassen and Simpson on or about December 11, 2017. Chassen and Simpson are the only two members of JJ Arch.

6. Nominal Defendant HPR LLC is a New York limited liability corporation whose sole member is JJ Arch.

7. Nominal Defendant JJ 550 is a New York limited liability corporation whose sole member is JJ Arch.

8. Nominal Defendant 1640 Montauk is a New York limited liability corporation whose sole member is JJ Arch.

9. Nominal Defendant Borrower 1 is a New York limited liability corporation whose members are JJ Arch and Jonathan Peldman. JJ Arch is the managing member of Borrower 1.

10. Nominal Defendant AREH is a New York limited liability corporation. It was formed by JJ Arch and 608941 NJ Inc. ("Oak") on or about December 11, 2017. JJ Arch and Oak are the only two members of AREH.

Before Becoming Partners, Simpson Had a Prior Relationship of Confidence and Trust With Chassen

11. Chassen first met Simpson when he worked with him at Greystone, a firm that provides real estate services. Greystone Development is a New York based full-service developer of commercial and residential real estate that provides investment, development, construction, marketing, operations, and asset management services.

12. Simpson joined Greystone in 2007 and became the Chief Executive Officer of its development subsidiary in 2013. At the time, Dough Benach, the head of the division hired Chassen and placed him in the Development and Acquisitions team in 2012 to work with Benach and Simpson. Simpson and Benach taught him essential skills for acquiring, financing debt and equity, developing and running real estate projects, and he was promoted as the Director of Acquisitions in 2014.

13. During his tenure at Greystone, Simpson had a reputation of being an aggressive person who would pursue opportunities that others would view as unfeasible but would never yield to opposition and often caused internal conflict.

14. Chassen viewed Simpson as his mentor and developed a close relationship with him. He reposed the utmost confidence and trust in him and even put his financial well-being in his hands.

15. In 2017, Simpson left Greystone under less than favorable circumstances.

16. Despite the public perception that the separation between Simpson and Greystone was amicable, the separation came after internal dissensions caused by numerous failed and over budget projects led by Simpson. As a result, the Greystone Development brand downsized from 30 people to currently 3 persons and Simpson was forced to leave Greystone, and Chassen left alongside many others as the brand downsized and the jobs disappeared.

Chassen Brings Simpson 35 Oak as an Investor and they Form JJ Arch

17. After departing Greystone, Simpson struggled to find investors for a new business.

While still employed by Greystone, he held many meetings by himself to launch a new business which yielded no success.

18. Chassen had developed a relationship with Oak's CEO, Michael Weiner, which included a weekend trip to his family cottage in Canada in the summer of 2017, where they had discussed pursuing potential real estate opportunities together. Chassen later told Michael that not only was Chassen interested, but that Simpson was too. Chassen and Simpson planned a new company relying on Chassen's capital connections to make the company feasible.

19. Oak is an active investor in many industries, and its principal place of business is in Toronto, Canada. After a few meetings, Oak decided to invest in the joint venture with Chassen and Simpson, and on December 11, 2017, established AREH, which is governed by the Arch Real Estate LLC Operating Agreement (the "**AREH Operating Agreement**"). A true and correct copy of the AREH Operating Agreement is annexed hereto as **Exhibit 1**. On the same day, Simpson and Chassen signed the operating agreement for JJ Arch. A true and correct copy of the JJ Arch LLC Operating Agreement is annexed hereto as **Exhibit 2**.

20. The real estate portfolio owned and controlled by AREH and its affiliates and subsidiaries ("**Arch**") ultimately grew to more than \$1Bn in assets under management, held in various single purpose companies that are affiliates of and/or controlled by Arch. Arch has affiliated companies, including a property management company, brokerage company, and a construction company, each of which provides services relating to real properties that AREH controls.

21. Oak ultimately contributed at least \$50 million into Arch and risked millions more as a guarantor of many of Arch's and its subsidiaries' mortgage debts. Chassen and his family contributed millions of dollars into Arch through limited liability corporations that were created at the individual property level.

The JJ Arch Operating Agreement

22. The JJ Arch Operating Agreement identifies both Simpson and Chassen as the two Members. *See Ex. 2, § 1.1.* Section 3.1(a) of the JJ Arch Operating Agreement provides that, prior to the fourth anniversary of the Agreement, the business and affairs of JJ Arch shall be managed by Simpson subject to the limitations set forth in subsection (b), which provides that any Company Major Decision, as defined in the Agreement, shall only be undertaken with Chassen's prior written consent. *See Ex. 2, § 3.1(a)-(b).*

23. Section 3.2 of the JJ Arch Operating Agreement provides that, after the fourth anniversary of the Agreement, that is, December 12, 2021, Simpson and Chassen were to both have managerial authority over JJ Arch. *See id. § 3.2.* Further, Chassen and Simpson were to be entitled to 50% of all distributions from December 12, 2021.

Simpson Uses His Relationship of Trust with Chassen to Coerce Chassen to Sign an Unconscionable Amended JJ Arch Operating Agreement

24. On May 22, 2021, the JJ Arch Operating Agreement was amended forcibly without Chassen's input or drafting (the "Amendment"). A true and correct copy of the Amendment is annexed hereto as Exhibit 3. The Amendment eliminated the language in Section 3.2 of the original Agreement providing Simpson and Chassen equal rights and authority to manage the company beginning on December 11, 2021. Under the Amendment, Chassen purported to give away his managerial rights to Simpson for another four years, though Chassen continues to retain consent right to limit Simpson's authority with respect to any Company Major Decision. *See Ex.*

3, § 3.1-3.2. Instead of becoming entitled to 50% of the distributions, as he was to be as of December 11, 2021, under the Amendment, Chassen was to be entitled to 49.9% of all distributions, with Simpson entitled to 50.1%.

25. Because of their unequal bargaining power, Simpson's threats, his deceptive and coercive tactics, and the parties' confidential relationship, Chassen lacked meaningful choice in entering the Amendment.

26. Simpson took advantage of his confidential relationship with Chassen, including as Chassen's mentor, to push a one-sided agreement. He heaped abuse on him and pressured him to sign, repeatedly telling him he was incapable and inept. Simpson also pressured Chassen to not have his own counsel review the Amendment and limited his involvement in calls Simpson took with JJ Arch and Arch counsel David Heymann, who purported to also represent both of them, and who Simpson had draft the amendment in his favor. Heymann did not disclose his actual conflicts in representing both JJ Arch, Simpson, and Chassen, and no conflict waiver was ever presented or agreed-to. Simpson presented Chassen with the Amendment on a take-it-or-leave-it basis, threatening him that he would just remove him from JJ Arch if he did not sign the Amendment. Chassen signed the Amendment under undue pressure and threats.

27. The Amendment itself was substantively unconscionable as it contained only favorable terms to Simpson and gave away Chassen's rights under the Operating Agreement for nothing of value.

The AREH Operating Agreement

28. On December 11, 2017, the same day that Chassen and Simpson entered into the JJ Arch Operating Agreement, JJ Arch and Oak entered into the AREH Operating Agreement. Under the AREH Operating Agreement, JJ Arch is the Managing Member, while Oak is the Investor

Member, with consent rights to enumerated major decisions, and the right to remove JJ Arch as managing member if JJ Arch commits any enumerated Cause Events.

29. The JJ Arch LLC Operating Agreement, in turn, provides inter alia that a “Resignation” occurs “[w]ith respect to a Member . . . [when] a Cause Event has occurred with respect to a Member and the other Member has delivered written notice thereof to such Member requiring such Member to resign.” NYSCEF No. 393, JJ Arch Operating Agreement at § 1.1, Resignation. The JJ Arch LLC Operating Agreement defines a “Cause Event” with a single sentence that incorporates the AREH Operating Agreement’s definition of “Cause Event”:

With respect to a Member, the occurrence of a Cause Event (as defined in the AREH Operating Agreement) with respect to such Member.

Ex. 2, JJ Arch Operating Agreement at § 1.1, Cause Event.

30. The AREH Operating Agreement defines the term “Cause Event” to mean:

[W]ith respect to Managing Member (unless otherwise indicated) (i) willful misconduct in relation to the business or affairs of the Company or a Subsidiary; (ii) breach of fiduciary duty in relation to the business or affairs of the Company or a Subsidiary, (iii) gross negligence in relation to the business or affairs of the Company or a Subsidiary which results in a material loss to the Company or its Subsidiaries or its Members as such, (iv) a final non-appealable finding of fraud by a court of competent jurisdiction in any relation to any business of its affairs; (v) misappropriation of Company or Subsidiary funds or property; (vi) conviction or a plea of nolo contendre, of Jeffrey Simpson any felony; (vii) any wrongful act or omission which results in acceleration of any loan encumbering the Property, or (viii) any breach of a material provision of this Agreement which is not cured within 30 days of notice of such breach.

Ex. 1, AREH Operating Agreement at § 1.1, Cause Events.¹

¹ The AREH Operating Agreement defines “Company” to mean “Arch Real Estate Holding LLC,” (*id.* at 1, Preamble), and “Subsidiary” to mean “any Person of which fifty percent (50%) or more is owned, directly or indirectly, by the Company or which is Controlled by the Company.” *Id.* at § 1.1, Subsidiaries. “Person” is defined as “an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, a limited liability company, an unincorporated association or a governmental entity or any department, agency or

31. Thus, a JJ Arch Cause Event occurs, *inter alia*, when a JJ Arch member engages in (a) willful misconduct in relation to the business or affairs of AREH or its subsidiaries; (b) breaches their fiduciary duties in relation to the business or affairs of AREH or its subsidiaries; (c) misappropriates the assets of AREH or its subsidiaries; or (d) commits gross negligence in relation to the business or affairs of AREH or its subsidiaries that then results “in a material loss to the Company [i.e. AREH], or a Subsidiary, or its Members as such [i.e., Oak and JJ Arch].” *Id.* The words and phrases used by the parties must, as in all cases involving contract interpretation, be given their plain meaning. By its plain language, the AREH Cause Events are the JJ Arch Cause Events.

Simpson’s Fiduciary Duties

32. A managing member of an LLC owes fiduciary duties to the LLC members, to the LLC itself, and to the entities managed by the LLC. In his managerial capacity, Simpson owed a duty of undivided and undiluted loyalty that bared not only blatant self-dealing, but also required avoidance of situations in which a fiduciary’s personal interest possibly conflicts with the interest of those owed a fiduciary duty. Simpson could not take actions for his own improper personal benefit that were not in the best interests of the party to whom a duty is owed.

33. Simpson’s fiduciary duties included a duty to make full disclosure of all material facts referable to the operation and management of the LLC.

Simpson’s Destruction of Arch

34. When they first started their new business, Simpson promised Chassen, Michelle Miller, and Tristan Last, employees/junior partners at Arch, that he would learn the lessons from

political subdivision thereof.” *Id.* at § 1.1, Person. Finally, “Member” in the AREH Operating Agreement means JJ Arch and Oak. *Id.* at § 1.1, Preamble.

Greystone and reform his aggressive behavior. Arch did well initially, but it went downhill over the past two years.

35. Simpson's aggressive business demeanor increasingly turned menacing inside the company, including with partners, lenders and lawyers. He repeatedly acted in an intimidating manner towards employees and others. Simpson not only overloaded employees, but also regularly yelled and threatened to fire them causing a huge turnover of employees and tarnishing the Arch brand in the hiring markets. He regularly called people stupid, inept and other demeaning names, to the point of bringing them to tears. Simpson created a toxic work environment that forced many employees to leave, leading to understaffing and mismanagement of the company's real estate projects. Simpson would send messages to key employees such as "so now everyone is going to have to come to me every time they go to the bathroom to get my yes or no."

36. Putting the companies' and investors' interests first, Chassen was willing to work to mitigate the damage caused in Simpson's wake and endure the harsh and abusive workplace that Simpson created, even to Chassen's personal detriment. Yet Simpson committed a series of misconducts that crossed the line of breaching his fiduciary duties, which the company could not withstand, and Chassen had to step up eventually.

37. Simpson prioritized his personal gains over the success of Arch projects. For instance, the Myrtle Point development in Ridgewood, Queens, was grossly under budgeted and experienced significant delays from lack of supervision. Simpson didn't even visit the project for weeks at a time. The project relied on one time-sensitive forbearance to move forward, yet Simpson instructed his lawyer for Arch to put pencils down and not turn over the necessary documents to Oak, the guarantor. He was planning to hold documents as leverage to cut a deal with one major lender and force Oak to take certain actions that would favor his personal interests.

As a result of the delay, the Myrtle Point development was stalled for months, causing Arch to lose more than fifty percent of its necessary revenue and putting additional strain on the business and putting over \$45 million of equity at risk for full loss.

38. Simpson's management was predicated on bullying and misrepresentation. For example, Simpson bullied team members to make misrepresentations about real estate projects to induce investments by threatening them that they would be fired if they failed to comply. Simpson forced team members to pitch grossly under budgeted projects and promised unrealistic returns on investment to induce investors to contribute additional capital without disclosing risks. Over the years, during internal investment meetings, Chassen pushed back on his financial assumptions, only to have him aggressively tell me to move out of his way or be fired.

39. Simpson regularly took the position that as managing member, he had full control of AREH and JJ Arch and thus did not need Chassen's consent to do anything. Chassen does not recall him ever seeking Chassen's consent before taking any Major Decision under the JJ Arch LLC Operating Agreement at JJ Arch or AREH other than when demanded by lenders for loan documents.

40. Simpson provided minimal reporting to Arch's investors, leaving them in the dark and keeping the staff overworked and understaffed and unable to do vital tasks like reporting or reconciliation. Oak kept funding the business and projects without proper capital calls, reporting or communication from JJ Arch, and when they did question Simpson, he would threaten retribution if they did not continue to fund. He told them they were only good for capital and guarantees, and nothing else.

41. Simpson also failed to properly supervise and manage projects. Across various projects, Simpson was not involved for months and in many instances disappeared to focus on his

other businesses or personal ventures. In the office, employees described Simpson's style of management as "parachute management," where he would be generally absent, only to show up suddenly to demean and abuse everyone and then disappear again. He would regularly promise to visit properties and then never go.

42. Days before Chassen was forced as a fiduciary to remove Simpson, Simpson in text messages and in verbal communications to Chassen and Michelle Miller, a junior partner/employee, threatened to put all of Arch into bankruptcy in order to leverage Oak to follow his orders without resistance or he would crash the business. Despite knowing it was against the AREH and JJ Arch Operating Agreements to file such bankruptcy, Simpson openly declared his plan to blow up the business and warned others that he would do so if they disobeyed him saying, "[a]nybody that chooses to do anything without my permission or my consent is no longer going to be a part of this organization."

43. Simpson also began misappropriating Arch's assets. For example, Simpson misappropriated Arch's funds and employees for an independent auto business—Rêver Motors ("Rever"). Rever is a vintage car dealership and repair shop located in Southampton, New York owned by 1640 Montauk LLC, a JJ Arch owned entity independent of Arch. For the last two years, Simpson often dedicated two to three days per week on running the Rever business while shirking his other responsibilities. Rever was Simpson's dream business, and Chassen's involvement in it was minimal. Simpson directed Arch employees to manage the accounting, logistics, and the property of the Rever business. Simpson even hired one of Arch's employees to work exclusively for the Rever business and transferred funds from Arch's construction projects to pay their wages. Chassen discovered that Simpson engaged in illegality such as switching a VIN number on a car at Rever Motors. This was all done without Chassen's consent.

44. From the very beginning of the Rever business, Chassen was very clear to Simpson that if they purchased this business, it had to be a weekend side-business that would need full third-party management and should never be at the expense of Arch. Repeatedly, Chassen asked Simpson to stop directing Arch's employees to work for the business, but he always disregarded Chassen's pleas.

45. In July 2023, Chassen asked JJ Arch's accountant about Simpson's diversion of money. Chassen had just seen a Paylocity report, a payroll document, that showed payments from AREH to a worker at Rever, a business not associated with AREH.

46. The accountant confirmed that Simpson was using company funds from Arch to pay JJ Arch and other expenses. She confirmed that he took Arch money to pay auto employees and that he owed Arch money. In fact, Simpson also used employees at Construction Services and Solutions LLC, a wholly owned Arch business, to work on his home and on other JJ Arch owned properties without Oak or Chassen's consent and without reimbursing Arch, who paid these employees. She also confirmed that due to extreme lack of staff there was minimal accounting of funds.

47. Simpson also began devoting much of his time to other businesses at the expense of JJ Arch and AREH. Because of these other businesses, he was devoting at most 65% of his business time to JJ Arch, when the JJ Arch Operating Agreement requires that he devote substantially all his business time to JJ Arch.

48. Arch's precarious situation also had its origins in Simpson's refusal to act in its best interests, as Simpson had little invested in Arch, but earned money instead from fees in connection with acquiring and managing Arch's properties.

49. By way of further background, JJ Arch earned its operating income from a flow of acquisitions of new properties and property management fees. Ex 1, §§ 7.3. For example, it earned income from finance fees from brokering loans on new acquisitions and new deals, property management fees for overseeing the properties that were owned by Arch, and construction fees on its development of properties acquired by Arch.

50. Before 2022, Arch owned approximately 5500 units around the country, but in 2022 it sold approximately 2000 of the units, thus lessening its base for property management fees. The rise in interest rates also made Arch unable to acquire new properties to be able to earn income from finance and construction fees. Without this income, Arch was forced to lay-off employees, but without these employees, it could not properly manage the properties spread-out in different states, thus causing the properties to start failing from mismanagement.

51. Chassen, and others at Arch, including Jason Paul and Michelle Miller, regularly advised Simpson that Arch should outsource property management to independent third-party property managers who had the necessary economies of scale to oversee the properties and ensure that the investor's assets were adequately managed and protected. But AREH, and therefore JJ Arch and Simpson, would have less revenue by doing so, and Arch would become a mere investment holding company, something that did not serve Simpson's personal financial interests given his minimal investment in Arch, but desire for large management fees. It was also something his ego could not tolerate, even at the expense of the investors whose interests he was supposed to protect.

52. In other words, the investors were being harmed by Arch remaining as the property manager because it could not maintain the economies of scale required to properly run the properties once it sold many of the units in 2022. And with the real estate markets faltering, Arch

also no longer had the regular income from financing fees on acquisitions by which it otherwise obtained income, or construction fees from developing newly acquired properties.

53. Simpson's erratic, volatile, and abusive behavior only made the situation worse. For example, Arch's construction arm, Arch Builders, LLC, had a staff of seven people on the ground, plus people in the office, including project managers and executives. Beginning in the summer of 2022, these people were either abused and quit or were fired by Simpson. That left no one track budgets and no one to oversee or handle Arch's ongoing construction projects, leading to the projects to fail.

54. As cash flow started to become limited at Arch, at the extreme detriment of Arch's managed investments and to increase income streams for the company, Simpson started a plan forcing the team leaders to take on even heavier workloads amongst senior employees, and shedding necessary employees such as project managers, construction managers, accountants, and other crucial roles to run projects. Simpson's attempt to cut expenses to generate additional income deprived many projects of proper supervision, which led to numerous failures. Despite desperate pleas from many senior Arch employees to properly staff the properties, Simpson pushed to continue to cut staff and increase fees to JJ Arch. Investors were never made aware of these issues.

55. By the end of June 2023, internally even Simpson understood that Arch was collapsing, though blaming everything other this his own mismanagement.

Simpson Destroys JJ Arch's Relationship with AREH's Investor Member, Oak

56. In 2023, Simpson began to drastically deteriorate AREH's relationship with its investor member, Oak, to whom he and JJ Arch owed fiduciary duties.

57. It became clear to Oak "[b]y late Spring 2023 . . . [that] AREH was in serious trouble under Simpson's leadership." See NYSCEF 241, Oct. 17, 2024 Michael Weiner Affirm. at

¶ 30. Oak's CEO, flew to New York for emergency meetings, where he discovered that the Myrtle Point development, one of AREH's largest investments, was in "dire straits." *Id.* "Simpson had encouraged Oak to stop funding interest payments to pressure the lender to be more cooperative," but this had the opposite effect, "and the lender had become less cooperative." *Id.* Oak's CEO also discovered that "Oak's capital contributions in the deal were subordinate to another investor and earned no return," something Simpson had never disclosed. *Id.* When he discussed the problems at AREH with Simpson, Simpson abused him, jumping out of a moving car while cursing at him. *Id.* ¶ 31. Michael began "to have panic attacks as [he] realized that [his] family was being held hostage by Simpson, as we had guarantee liabilities to lenders, which Simpson routinely attempts to hold over our heads." *Id.* ¶ 32.

58. After rupturing that relationship, Michael's brother, Kevin Wiener, an Oak director and its corporate secretary, who had been pursuing a legal career as a class action attorney, left his job "to work full time at [][Oak] . . . as the situation had deteriorated at Arch and as Jeffrey Simpson's unstable and destructive behavior" required "both my brother and I to spend virtually all of our time trying to manage the quagmire Simpson has created." NYSCEF 227, Oct. 17, 2023 Kevin Wiener Affirm. at ¶ 7.

59. On July 11, 2023, Simpson attempted to extort Oak by instructing AREH's lawyers to stop working on a forbearance agreement for AREH's Myrtle Point development in Ridgewood, Queens that was accruing \$2 million dollars of default interest per month. *Id.* at ¶¶ 9-21. He also told Oak that unless they continued to fund him on demand, he would terminate staff that was working on the properties Oak had guaranteed. *Id.* at ¶ 11.

60. But demonstrating his extreme volatility, just two days later, he sent Oak a proposal that they take over JJ Arch for various personal benefits. See NYSCEF No. 396, July 13, 2023

Email Chain. In the proposal, among other things, 35 Oak would take over ownership of JJ Arch after 60 days, and Simpson would execute a separation agreement.

61. Later that day, Simpson responded to the email to say, among other things, “[w]e sent this email this AM seeking feedback on a path forward for everyone . . . I urge you to reply and get to a conclusive agreement below by tomorrow, as we set up timeframes in the proposal for a particular reason. *If not, we will have to take more extreme measures to exercise Dissolution via the Agreement.*” *Id.* July 13, 2023 10:45 a.m. email (emphasis added).

62. Simpson was demanding that Oak provide a blank check to pay AREH and its subsidiaries legal bills, while leaving Oak in the dark as to what he was doing with AREH’s funds. On July 17, 2023, Kevin Wiener wrote Simpson that every subsidiary “has the ability to make a capital call if it lacks sufficient funds to cover legal bills. We will honor our legal obligations to respond to capital calls as we have continuously done . . . [a]s far as I can tell, we’re the only investor in any of these properties who *is* responding to capital calls (including JJ).” See NYSCEF No. 228, July 17, 2023 5:57 p.m. email. Kevin had not yet realized that “Simpson had never even attempted to capital call other investors to cover expenses, presumably because he wanted to hide from them the financial needs of those properties. Nor, in most instances, had he capital called Investor Member. He also never made any contribution on behalf of JJ Arch or offered to decrease his sizable management distribution, despite JJ Arch’s own capital call obligations.” NYSCEF No. 227, Oct. 17, 2023 Kevin Wiener Affirm. at ¶ 15.

63. On July 19, 2023, Oak told Simpson that they would agree to a proposal where he left JJ Arch and Chassen stayed. See NYSCEF No. 397. Oak made this counterproposal, rather than take over JJ Arch itself. Chassen had no knowledge of Oak’s deliberations, or that it was going to make this proposal to Simpson, but believes that Oak made this proposal that Chassen

have sole control of JJ Arch, rather than Oak itself as suggested by Simpson, because Oak was concerned it might face financial liability on loan agreements if neither Simpson nor Chassen were in control of JJ Arch. The proposal that Chassen be placed in charge, however, enraged Simpson, and he appears to have believed that, though he himself made the proposal to Oak to walk away in their stead and cede control of JJ Arch to them, that Chassen was behind their counterproposal that Chassen be placed in charge of JJ Arch instead.

64. Simpson did not react well to Oak's counterproposal. He wrote internally "I guess Jared is getting promoted and I'm out of work. Congrats." NYSCEF No. 397, July 20, 2023 2:51 a.m. email. He told Chassen "I know you were not behind it, but it doesn't look right Jared. I know you and him did not speak about it before but it's clear that he has the comfort with you that he too can walk on water in front of your eyes and you will allow it under your watch!" NYSCEF No. 581, July 25, 2023 3:37:58 a.m. email.

65. On July 24, 2023, Oak discovered that "that all capital calls we had been putting in had not been properly called at the LP level, jeopardizing our priority with the LP investors." NYSCEF 227, Oct. 17, 2023 Kevin Wiener Affirm. at ¶ 19. That week, they had a call with Simpson and AREH's counsel to discuss a potential bankruptcy plan for a property, and when an Oak employee tried to ask a question, Simpson yelled not to interrupt him. *Id.* at ¶ 20. When Michael told Simpson that it was inappropriate to talk this way, "Simpson began screaming 'I AM THE F**KING MANAGING MEMBER' at the top of his lungs, yelled that the call was over, and hung up. He then physically went around to the phones the other AREH employees were on and made them hang up too, before attempting to contact [the attorney] to demand that he too get off the phone call." *Id.* at ¶ 20.

66. At the office Simpson was telling Chassen and others that if Oak did not stop messing with him, he was going to “blow up” Arch.

Chassen Properly Terminates Simpson for Cause in August 2023

67. After Oak’s July 19, 2023 counterproposal which would have put Chassen in charge of JJ Arch, Simpson wanted Chassen to take a pay-cut to demonstrate his loyalty to him. When Chassen suggested that he might accede to such a pay-cut if both were to take pay cuts, Simpson grew enraged.

68. On or about August 3, 2023, Simpson told Chassen that if Oak “didn’t stop messing” with him, he was going to file for bankruptcy on all the properties and “blow the company up.” This, of course, was prohibited by the operating agreements, and further demonstrated to Chassen that Simpson was entirely focused on himself and his battle with Oak, not AREH and the investors.

69. Also, on or about Thursday, August 3, 2023, Chassen learned that Simpson was going to terminate him without any basis or cause and free himself to destroy the company and escalate his fight with Oak and misappropriate company assets at will. Chassen then acted to protect Arch and JJ Arch from Simpson.

70. On Saturday August 5, 2023, Simpson sent Chassen an email with the subject line “Jared Chassen - Resignation of JJ Arch LLC.” In this email, he “advised” Chassen that he had been “forced to resign as a Member” of JJ Arch and would no longer be affiliated with Arch or any of its affiliates “effective immediately.” Simpson’s email to remove Chassen as a Member of JJ Arch did not comply with the JJ Arch Operating Agreement. Under the JJ Arch Operating Agreement, the resignation of a Member occurs when “a Cause Event has occurred with respect to a Member and the other Member has delivered written notice thereof to such Member requiring

such Member to resign.” Ex. 2 at § 1.1. A Cause Event, as defined in the JJ Arch Operating Agreement by reference to the AREH Operating Agreement, includes, but is not limited to, “(i) willful misconduct in relation to the business or affairs of AREH or its Subsidiaries,” “(ii) breach of fiduciary duty in relation to the business or affairs of AREH or its Subsidiaries,” “(iii) gross negligence in relation to the business or affairs of AREH or its Subsidiaries which results in a material loss to [the Arch Entities] or its Members,” and (v) misappropriation of AREH or its Subsidiaries assets. Ex. 1 at § 1.1.

71. Simpson did not identify any Cause Event in his email, nor did he make any allegation that would constitute a Cause Event as defined therein warranting Chassen’s resignation. Further, all Chassen’s actions have been to protect AREH and its subsidiaries from Simpson. Simpson’s purported notice removing Chassen as a member of JJ Arch was nothing more than a blatant attempt to wrest sole control and management of the Arch to insulate himself from his bad acts and render himself a dictator.

72. To protect Arch from further damage, on Sunday August 6, 2023, Chassen sent Simpson an email with the subject line “Limited Liability Company Operating Agreement of JJ Arch LLC/Cause Event Notice” and an attachment titled “Notice JJ Arch.” In the Notice, Chassen rejected all of Simpson’s assertions in the August 5, 2023 resignation email, and his purported forced resignation of Chassen as a Member of JJ Arch, noting that that he had not done any conduct that could constitute a Cause Event because no such conduct occurred. NYSCEF No. 399.

73. Chassen then informed Simpson, as required by the JJ Arch Operating Agreement, that Simpson had committed multiple Cause Events, including “(a) directing lawyers for one or more Subsidiaries to stop work on extremely time sensitive matters for [his] own personal leverage, (b) making various misrepresentations to [Oak] and other investors to induce them to

invest in deals and contribute additional capital to Subsidiaries, (c) misapplying Company resources for [his] personal use, (d) breaching [his] fiduciary duty under the LLC Agreement by *inter alia* failing to obtain [my] consent required for certain decisions as required under the LLC Agreement, (e) engaging in willful misconduct as to the business and affairs of the Company . . . [and] (f) engaging in gross negligence, which [would] result in material loss as to the business and affairs of the Company ..." *Id.*

74. Chassen advised Simpson that, as a result of his Cause Events, he had to resign, and no longer had the right to act on behalf of Arch.

75. Simpson's resignation was also independently mandated by the JJ Arch Operating Agreement's provision that makes it a resignation event if the member fails to devote "substantially all business time for JJ Arch." Ex. 2 at 5.

76. On August 6, 2023, Oak also sent Simpson an email with the subject line "Limited Liability Company Operating Agreement of Arch Real Estate Holdings LLC/Cause Event Notice" and an attachment titled "Notice from 35 Oak to JJ Member (Final)." Oak advised Simpson that he had committed multiple Cause Events that fall into the willful misconduct and breach of fiduciary duty categories identified in the JJ Arch Operating Agreement.

77. As also detailed in Oak's Complaint (incorporated herein by reference), as well the emails and documents referenced in it showing the extensive deterioration of Simpson's relationship with AREH's investing partner, Simpson had breached his fiduciary duties in relation to AREH and its subsidiaries, and caused JJ Arch to breach its fiduciary duties, by among other things: (1) threatening to stop work on time sensitive matters in order to blackmail 35 Oak; (2) directing counsel for AREH not to speak to Oak; (3) making misrepresentations to Oak, and entering agreements at Oak's expense without consent; (4) falsely advising Oak that it had made

capital calls to other investors to induce Oak to make capital contributions; (5) threatening to fire AREH employees and cease operations if Oak did not provide money; (6) refusing to execute documents unless terms were included that would only benefit him; (7) entering into major decisions without Oak's consent; (8) creating a hostile business atmosphere damaging critical relationships with lenders, contractors, tenants, etc.; and (9) making defamatory statements.

NYSCEF No. 319.

Simpson Files this Action and is Restored to His Managerial Position by an Injunction

78. In response to his resignation from JJ Arch, on August 14, 2023, Simpson, individually and derivatively, as managing member of JJ Arch, sued Chassen and First Republic Bank derivatively as managing member of AREH and JJ Arch.

79. On August 21, 2023, the Court entered an Interim Order which restored Simpson to his managerial position but required that “[b]oth Simpson and Chassen shall maintain access to view the Arch Accounts online, and such access shall not be terminated without further order of the Court.” NYSCEF No. 36. The Interim Order further provided that the “JJ Arch shall be managed in accordance with Section 3.1 of the Limited Liability Company Operating Agreement of JJ Arch LLC, dated December 11, 2017, as amended by Amendment No. 1 dated May 22, 2021.” *Id.* That is, the Court ruled that “the business, affairs, and assets of JJ Arch shall be managed by Simpson, subject to the limitations set forth in Section 3.2 of the JJ Arch Operating Agreement, which provides among other things that any Company Major Decision, as defined in the JJ Arch Operating Agreement, shall be undertaken only with the prior written consent of Chassen.” *Id.* The Court expressly ruled that “The August 2023 instruments sent by Simpson and Chassen to the other purportedly resigning or terminating the other as a member or managing member of JJ Arch are hereby void and of no force or effect . . .” *Id.* Importantly, the Interim Order provided that

“Simpson and Chassen shall cooperate with each other in good faith to facilitate the effective exercise of their respective roles and responsibilities under the JJ Arch Operating Agreement and related agreements. . .” *Id.*

Simpson Purports to Re-Terminate Chassen

80. Simpson began violating the Interim Order right from the get-go. He immediately rehired Tristan Last, an employee who had resigned the day after Chassen removed Simpson for cause and increased her salary without seeking Chassen’s consent even though Chassen’s consent was required. He hired a new IT company without Chassen’s consent at an expense that required Chassen’s consent.

81. Simpson then moved all employees away from Chassen’s desk, leaving Chassen on the outskirts of the office space, and clearly intending to show staff that Chassen was no longer a co-member of the company. While Chassen complied with the Interim Order and gave Simpson access to Office.com, Dropbox, Go daddy, Simpson then used that access to read all of Chassen’s emails, including those with Chassen’s counsel, and deleted Chassen’s emails.

82. Simpson also stopped paying JJ Arch bills connected to Chassen’s credit. For example, JJ Arch has 3 Arch trucks that are used for Arch builder entities, and Chassen received a call from each credit company that payments were not being made and they are in collections. Likewise, JJ Arch’s company Visa card, Divvy, is under Chassen’s credit, and Simpson removed Chassen from these accounts even though these accounts are tied to Chassen’s credit. Chassen also received calls that payments were not being made on these accounts.

83. Simpson then shut off Chassen’s access to his emails, Dropbox, all company systems, and bank accounts.

84. He demanded that Chassen consent to switch banks from First Republic, without explanation or reason, something that was especially frightening considering his repeated misappropriation of company assets and the fact that Chassen would then be unable to view the accounts as required by the Interim Order.

85. He began telling employees and third-party partners that Chassen was no longer a member of JJ Arch and started defaming him to them.

86. On September 1, 2023, he sent another formal forced resignation letter even though the Court has just nullified both August letters and directed the parties to cooperate. This September 1, 2023 letter was predicated on false, pretextual claims designed to give Simpson any grounds to get that which the Court had just prohibited.

Simpson Continues to Breach his Fiduciary Obligations and Ignores Additional Court Orders Even After Chassen Files A Contempt Motion

87. On September 14, 2023, Chassen moved to hold Simpson in contempt of Court and to direct Simpson to restore him to JJ Arch and company systems. On September 15, 2023, the Court issued a temporary restraining order, restored Chassen, and barred any further unilateral terminations. NYSCEF No. 86.

88. Simpson then continued to disobey the courts orders by (1) hiring three new employees without obtaining Chassen's consent, and actually firing employees he perceived as allied with Chassen; (2) opening new bank accounts at Citizens Bank without giving Chassen access to those accounts; and (3) refusing to give Chassen's full access to Juniper Square, JJ Arch's investor portal. Simpson also directed employees at Arch not to talk to Chassen and refused to share information with Chassen.

Simpson Hides the IRC Section 1031 Failures from Investors

89. On or about September 29, 2023, Chassen discovered that Simpson had completely breached his fiduciary obligations with respect to recent IRC Section 1031 tax exchange vehicles that Simpson advocated investors join but did not join himself. Chassen received this news in an email from Drew Johnston, an Arch employee, who wrote Chassen, “Oh boy, I thought for sure someone would have told you this. I am sorry to be the one to deliver the news. There will be no 1031 tax treatment for NCSC. We have known for a while now that the 1031 exchange for NCSC basically failed. The gain deferral is so small it is immaterial. We’ve known this since back when we were on the 11th floor, but investors were not notified.” *See* NYSCEF 258, Sept. 29, 2023 10:22am. Email from Drew Johnston to Jared Chassen. This caused millions in unexpected taxes for investors on top of 100% equity loss.

90. Chassen has been personally hit with hundreds of thousands of dollars in unexpected tax liability because of Simpson’s complete dereliction of his managerial role, as well as his failures to adequately disclose risks to investors or adverse information.

91. As stated above, in 2022, Arch sold approximately 2000 units and after these units were sold, Arch reached out to investors asking if they wanted to reinvest the money from the sale into other potential properties into IRC Section 1031 tax exchange vehicles, without adequately disclosing the risks that such tax benefit might not be obtained. Chassen along with numerous others did so, though Simpson put only minimal proceeds from the sale into these new vehicles.

92. Rather than inform investors that the IRC Section 1031 tax exchanges had failed, and that investors would face huge tax liabilities, Simpson hid the information, it only coming to Chassen’s attention, and other investors’ attention, as investors began to get hit with massive tax bills from the sale. Simpson attempted to cover-up his failures through misleading communications

to investors. And to top it off, Simpson put the funds into properties he caused to fail by his insistence on mismanaging them, thus not only foisting on investors unexpected and hidden tax liability now, but the complete loss of their investments.

The Court Enforces Oak's Termination of JJ Arch as Managing Member of AREH Because of Simpson's Misconduct

93. Yet again, in October 2023, Simpson began threatening that he would file bankruptcy without Oak's or Chassen's consent, even though such a decision was a Major Decision that required the consent of both. And while demanding money from Oak, he also refused to provide them with books and records.

94. On October 17, 2023, Oak intervened and filed an emergency application seeking to appoint a temporary receiver over JJ Arch, submitting evidence showing that Simpson had engaged in rampant breaches of fiduciary duty and misappropriation of assets and detailing the dire state affairs at AREH, with numerous loans defaulting because of Simpson's misconduct. NYSCEF Nos. 225-266.

95. On October 27, 2023, the Court issued an Interim Order which compelled Simpson to comply with JJ Arch's obligations under the AREH Operating Agreement, which included its rights regarding any bankruptcy filing, and to provide Oak with books and records "of AREH and all subsidiary entities to whom Investor Member or its affiliate has contributed capital or that are directly or indirectly managed by AREH." NYSCEF No. 292, Oct. 27, 2023 Interim Order.

96. Within approximately two hours of that order coming out, Simpson notified AREH's employees that he was furloughing them indefinitely. NYSCEF 298, Dana King Affidavit at ¶ 10.

97. On October 31, 2023, Oak terminated JJ Arch as managing member of AREH. See NYSCEF 303, Oak Removal Letter. On October 31, 2023, 35 Oak removed JJ Arch as managing

member of Arch Real Estate. Oak removed JJ Arch, because JJ Arch through the actions of Jeffrey Simpson (the managing member of JJ Member), committed multiple Cause Events, including, without limitation, (1) willful misconduct, (2) breach of fiduciary duty, (3) gross negligence which has resulted in material loss to the Company, its Subsidiaries and its Members and (4) misappropriation of Company or Subsidiary funds, in each case, in relation to the business and affairs of the Company and various Subsidiaries, such as, without limitation, (a) making material misrepresentations and otherwise fraudulently inducing Investor Member and other equity holders to invest in certain transactions on the basis of obtaining material economic benefit from an exchange under section 1031 of the Internal Revenue Code, and failing to satisfy the requirements of such 1031 exchanges; (b) hiring and rehiring of individuals as an employees of Arch without Investor Member consent; (c) failing to provide access to books and records of the Company and to otherwise provide all financial reports required under the LLC Agreement; (d) modifying the Company lease at the 88 University property; (e) making threats against employees, family members of employees, and vendors; (f) using Arch employees for non-Arch purposes to benefit Mr. Simpson and his separate businesses; (g) using Arch bank accounts for personal purposes, (h) retaining counsel for the Company in violation of the LLC Agreement, and (i) furloughing the entire staff of Arch and causing the important work of the company to come to a complete halt. *Id.*

98. On November 3, 2023, Oak moved for a temporary restraining order and preliminary injunction barring JJ Arch from acting as managing member of AREH and enforcing Oaks' removal. *See* NYSCEF 296-318.

99. In support of the motion, Oak submitted the testimony of Dana King, "Senior Regional Manager for Ore Living, and Arch Real Estate Holdings LLC," who oversees all AREH's properties in the Southeast United States. Ex. 13, NYSCEF 298, Dana King Aff. at ¶ 2. She

testified to Simpson's abusiveness, lack of oversight, and complete lack of management. *Id.* at ¶¶ 3-14. This included vendors not being paid, substandard conditions, such as uncollected trash, turned-off utilities because of non-payment, daily calls from vendors and utilities about owed payments that she could not answer because there was no guidance from AREH. *Id.* at ¶ 8.

100. She testified that:

On October 27th, Jeff Simpson sent out an email furloughing all employees in the corporate office effective immediately. The sites do not have anyone to report to or get guidance from. There is no one to pay their vendors. Utilities will begin to be cut off. Site teams will walk out of the properties without any guidance. The teams were not told about this situation and have been calling me regularly panicked about what is happening and who do they talk to regarding needed items. Jeff is giving no oversight to the teams as he discussed in his email. Not even an email has been sent to the sites from our Corporate Staff. The properties will begin to have power and water shut off leaving thousands of residents and their families without these basic necessities. If this path continues even more week, the properties may not be able to be turned around.

Id. at ¶ 10.

101. Rebecca Tokarczyk, AREH's former accounting manager, described Mr. Simpson "an extremely aggressive person whose management style can only be described as abusive." NYSCEF No. 375, Rebecca Tokarczyk Aff. at ¶ 15. She testified that at AREH:

[A]ccounting operations fell below what I considered to be standard operating procedures, based on my education and prior work experience within other organizations. The degree of informality, lack of documentation, and general lack of discipline or rigor in process was very concerning to me, but AREH was also not a place where differences of opinion were encouraged or even tolerated[.]

Id. at ¶ 10. She described being asked by Simpson to transfer funds in ways that she considered "questionable, if not fraudulent." *Id.* at ¶ 17. When she expressed her concern, Simpson told her, "I am the Managing Member, I can take money from wherever I want." *Id.* She testified, "[b]ased on my experience working under the direction of Mr. Simpson for the past year, I do not believe

Mr. Simpson is fit to run any company including, but not limited to, AREH and JJ Arch. In my opinion, he has failed his fiduciary duties as Managing Member.” *Id.* at ¶ 23.

102. Oak submitted the testimony of Frank van Biesen, Oak’s President and COO, who identified numerous accounting discrepancies from a very limited review of AREH’s books and records. NYSCEF No. 379, Van Biesen Reply Affirmation. Michael Weiner testified that among Simpson’s misconduct included: (1) failing to present any budget for Oak’s approval in 2023 in violation of the AREH Operating Agreement; (2) misrepresenting to Oak that capital calls had been made to other investors to procure funding from Oak; (3) taking money from property accounts to cover AREH’s expenses with no plan for reimbursement; (4) serious accounting irregularities, including inaccurate classifications of transactions as distributions, and inappropriate charges to property level entities for accounting work done by outside accountants that was not actually performed; and (5) improperly issuing a capital call to Oak from AREH and after receiving the funds allocating the capital call to a different entity that Oak had no funding obligation to. NYSCEF No. 305, Nov. 3, 2023 Michael Wiener Affirm. at ¶¶ 16-34.

103. On November 3, 2023, the Court entered a temporary restraining order that restrained JJ Arch from acting as the managing member of AREH. NYSCEF No. 321. On November 22, 2023, the Court issued the Oak Preliminary Injunction which granted Oak’s motion and, *inter alia*, enjoined Simpson and JJ Arch from denying “prompt consent” to major decision proposed by Oak as the managing member of AREH “unless both JJ Arch members (Jeffrey Simpson and Jared Chassen) jointly agree to deny such consent (or alternatively, either JJ Arch member may convey consent . . .” NYSCEF No. 418.

After Oak Takes Over AREH, it Discovers More Evidence of Simpson's Misconduct

104. After taking over AREH, Oak “discovered glaring accounting issues and waste in Arch Builders and at the corporate level too.” NYSCEF No. 561, Feb. 1, 2024 Kevin Wiener Affirm. at ¶ 17. For example, “Arch Builders has several months of transactions that cannot be reconciled, including over 1000 bills with a status of partially or fully unpaid, dating back to July 2019, representing a total in excess of \$4.5 million.” *Id.* In “reviewing the intercompany balances between the wholly-owned Arch subsidiaries, 80% of the intercompany accounts are out of balance, with the largest variance being over \$800,000 and some of the balance mismatches dating back to 2019.” *Id.* at ¶ 20.

105. Further “[s]ome of the transactions we have tried to reconcile show that Simpson used both property entities and Arch for self-dealing. For example, in January 2022, Arch Builders purchased a truck for \$13,000 from Rever Motors, a company owned by JJ Arch LLC and controlled by Simpson. This truck was apparently kept at the Myrtle Point project, but remains registered to JJ Arch and the sale invoice Arch Builders paid (which does not even identify the sold-to party) does not include a VIN or any identifying information about the vehicle. Despite being owned by JJ Arch, there is no evidence that the truck purchase was ever billed back to JJ Arch.” *Id.* at ¶ 18. And, “[i]n March 2023, Arch Builders paid another invoice to Rever Motors for work on a truck with a VIN that does not match any of the vehicles owned by Arch Builders (and therefore appears to be the JJ-owned truck above). This expense was, in turn, billed to the JV that owns the Myrtle Point project and remains unpaid.” *Id.* at ¶ 19.

106. Oak also discovered that the New York Department of Taxation had issued tax assessments going back to September 2021 for unpaid withholding taxes that were converted into warrants. *Id.* at ¶ 12.

The Non-Arch Properties Simpson and Chassen Own Through JJ Arch

107. JJ Arch is a member in several corporate entities that are independent of Arch, and that are owned by Simpson and Chassen. Chassen only entered personal investments through JJ Arch because Simpson told Chassen doing so would save time and expenses since the structure was already in place from past deals and it would be the easiest and most efficient way to proceed to quickly close on the deals.

A. The 89th Street Property

108. Simpson and Chassen, through JJ Arch, have interests in a property located at 146 E. 89th Street, New York, New York that is owned by three limited liability corporations, Borrower 1, 146 E. 89 Borrower 2 LLC (“Borrower 2”), and 146 E. 89 Borrower 3 LLC (“Borrower 3”). Borrower 1 has two members, JJ Arch and Jonathan Peldman, with JJ Arch as the managing member. NYSCEF No. 409. Borrower 2 has one member Kay Properties LLC, though JJ Arch is designated as the manager. NYSCEF No. 410. Borrower 3 also has one member, 40 Neutral LLC, though JJ Arch is designated as the manager. NYSCEF No. 411.

109. In or about 2022, Simpson brought the idea of purchasing the 89th Street Property to Michelle Miller, Jared Chassen, and Adam and Jonathan Peldman, the third-party investors. He told them that since he lived nearby, he would be able to oversee the 89th Street Property, with his plan being to remove the rent stabilized tenants residing there and build it as a single-family property at a low cost.

110. During the negotiation to purchase the 89th Street Property, as managing member of JJ Arch, Simpson abused counsel on all sides and conducted minimal due diligence.

111. After the purchase, he unilaterally created construction budgets that were inadequate to complete the project.

112. Further, the 89th Street Property could not be legally rented out because it was not properly registered under the rent stabilization laws.

113. Without Chassen's consent, Simpson moved in 3 people into the 89th Street Property illegally without leases. One of those people was Michael Hartman, an AREH employee. He had Hartman work on illegal construction at the 89th Street Property. He also allowed two other individuals to live at the Property and had them work on the construction without permits, without contracts, and without insurance. All of this was done without seeking or obtaining Chassen's consent.

114. After the neighbors complained about the illegal construction, the Department of Buildings issued a stop-work order, and there has been no further construction at the 89th Street Property. Simpson also used AREH and Construction Services and Solutions LLC employees for the construction, leading AREH and Construction Services and Solutions LLC to put their own liens on the 89th Street Property.

115. Though obligated to issue annual reports under Section 10.5 of the Borrower 1, 2, and 3 Operating Agreements, Simpson never did. And Simpson never issued any capital calls, though the entities were and remain in desperate need of funds. Instead, Simpson hid all the problems from the outside investors until only very recently.

116. Simpson's mismanagement has had dire consequences on Chassen as an investor and as a guarantor. On January 11, 2024, the lender commenced a foreclosure action, naming Chassen as a defendant-guarantor for any deficiency. NYSCEF No. 491. Simpson has defaulted in that proceeding on behalf of himself and Borrower 1, Borrower 2, and Borrower 3.

117. The property itself remains uninsured. NYSCEF No. 499.

B. Rever Motors

118. JJ Arch is also the sole member of 1640 Montauk LLC (“**1640 Montauk**”), owner of real property known as 1640 Montauk Hwy, Water Mill, NY 11976 (“**Rever Property**”). NYSCEF No. 500. Simpson and Chassen created 1640 Montauk and through it bought the Rever Property and the underlying auto business that was at the Property, then operating under a different name. In addition to Chassen’s equity interest, he is also a full recourse personal guarantor of the 1640 Montauk mortgage debt.

119. Yechiel Lehrfield, an ex-Arch employee, organized another entity, 1640 Motors LLC (“**1640 Motors**”), to operate the business with a partner, but upon information and belief there was no executed operating agreement for 1640 Motors, and no formal designation of membership because the partnership with the third-party did not pan out. NYSCEF No. 501. Upon information and belief, the only member of 1640 Motors is 1640 Montauk, whose only member in turn is JJ Arch. JJ Arch manages and controls both 1640 Montauk and 1640 Motors.

120. Simpson has shut off Chassen from financial information about this business. For example, Simpson opened a new bank account for 1640 Montauk at Citizens Bank, which Chassen no visibility on. Not only did this violate the Court’s orders, but it is designed to allow Simpson to escape any financial oversight. Additionally, Simpson shut down Chassen’s Rever Motors email Jared@rmhamptons.com. Effectively, Chassen has no visibility into this business. Simpson also removed Chassen from the Square credit card processing system so he is not able to see any income.

121. Simpson has also been renting portions of the Rever Property to tenants for cash payments and has been pocketing the cash payments for himself, while he neglects mortgage and tax payments.

122. Chassen discovered that Simpson has not filed 2023 NY state tax returns for Rever Motors, which owes \$9,863.75 in NY state taxes, and owes federal taxes of at least \$87,816.25 that because of Simpson's ongoing looting of all corporate assets it will be unable to pay. NYSCEF No. 504-505. To the best of his knowledge, Simpson has also not filed federal returns and paid federal taxes for 2022. In addition, Simpson has not paid contractors and did not pay the debt servicing to the entities' lender, ConnectOne Bank. The insurance policy for Rêver Motors was cancelled for non-payment. NYSCEF No. 520.

123. Chassen also recently discovered that Simpson collected payroll taxes at Rever Motors and then rather than pay them to the IRS, he kept and stole those funds, with the IRS demanding payment of those payroll taxes from Chassen in his capacity as member of JJ Arch, though he did not manage the business and his involvement was minimal. *See* NYSCEF No. 748. Simpson, in the meanwhile, is selling vehicles without Chassen's consent, renting the space for cash, and pocketing the money.

124. Simpson's actions have led the Rever Property into foreclosure, with Chassen named as a guarantor-defendant liable for any deficiency. *See Watermill Capital Holdings LLC v. 1640 Montauk LLC et. al.*, Index No. 623575/2024 (Suffolk Co.). NYSCEF No. 714. Simpson caused 1640 Montauk to default in the foreclosure proceeding.

C. 225 HPR LLC

125. JJ Arch is the sole-member of 225 HPR LLC ("HPR LLC"), which owns a residential property known as 225 Head of Pond Road, Water Mill NY 11976 ("Head of Pond"). NYSCEF No. 404. Simpson and Chassen purchased Head of Pond in 2022 through HPR LLC and renovated the home for several months. Since then, the home has become a permit holding rental

property. They hired a third-party manager who successfully managed the property for approximately 2 years as an Airbnb property.

126. Head of Pond has been cash flowing, and Simpson was uninvolved in this business.

127. Chassen's wife is a guarantor on the Head of Pond mortgage loan.

128. After this lawsuit, Simpson directed the property manager to stop renting out the property, telling him that Simpson's wife would replace him, though such a hiring required Chassen's consent and was entirely self-interested. Simpson then threatened to contact the police if the property manager rented the property to any Airbnb customers leading the property manager to verbally resign on November 21, 2023.

129. Simpson refused to pay for property upkeep, or pay the property manager, and took money without Chassen's consent from the HPR LLC accounts to pay his own personal expenses. Indeed, Chassen discovered that Simpson has been taking money from the HPR LLC accounts and instructed employees to hide it from him. These payments included a \$10,000 payment on October 11, 2023, a \$2,000 payment on October 19, 2023, and a \$3,000 payment on October 31, 2023. NYSCEF No. 510. Instead of making payments for the property's upkeep, he pocketed whatever was in the account for himself.

130. While Simpson depleted what was left in the accounts, Chassen tried to preserve HPR LLC as a going concern and prevent it from falling into default. Out of his own personal funds, to prevent the property from going into default and disrepair, Chassen paid the following HPR LLC bills: (1) the past due bill to the property manager in the amount of \$7,342.00 for cleaning and property maintenance; and (2) \$1,495 to accounting professionals to prepare HPR LLC's tax returns, as they were refusing to continue work on taxes without payment. NYSCEF No. 511.

131. Chassen discovered on December 11, 2023 that beginning on or about August 8, 2023, Airbnb was unable to deposit rental income money into HPR LLC's account due to First Republic freezing the account as a result of this dispute. After 15 days of being unable to deposit these monies, Airbnb sent the money to the primary default account listed on the Airbnb account, which was an account linked to another property that Chassen managed, since Chassen has always been the one managing this property. *See* NYSCEF No. 512. Chassen discovered this only after checking the HPR LLC account and discovering that there were no funds from Airbnb in the account. To remedy this, Chassen reentered the HPR LLC account information with Airbnb, and it took another 5 days for Airbnb to redo the payment method. Since December 26, 2023, all Airbnb rental payments went into the HPR LLC account at First Republic.

132. The amount that was deposited by Airbnb automatically into this other account during that period was \$44,685.00. Chassen deposited \$4,000 of these funds into the HPR LLC account at First Republic, which covered the auto-pay for the mortgage, electric bills and other which was about to go into default otherwise. NYSCEF No. 510. Chassen placed the remaining \$40,685,000 in a segregated account and in January 2024, soon after he discovered the funds (NYSCEF No. 513), and brought a motion to the Court seeking to enjoin Simpson from pocketing the funds and appointing a temporary receiver. NYSCEF Nos. 485-520. Chassen understood that if he deposited he funds into HPR LLC's account before his emergency motion could be heard, Simpson would immediately take the funds as he has done previously. In effect, Chassen asked the Court for direction as to what to do with these funds because Simpson had been clearing HPR LLC's accounts rather than using funds to pay HPR LLC's mortgage. When the Court did not grant Chassen interim relief as requested, (NYSCEF No. 604, Order to Show Cause), Chassen deposited the funds into HPR LLC's First Republic account under Simpson's control. As Chassen

feared, though, Simpson immediately caused the funds to be transferred from HPR LLC's First Republic bank account to his entity YJ Simco LLC, effectively clearing HPR LLC of all of its funds.

133. By looting HPR LLC of all its funds and forcing Chassen to stop renting the Head of Pond Property, Simpson starved it of income, and caused it to default on its mortgage, and other expenses.

134. Its mortgage is not over 180 days in default, and Simpson has told Chassen that he put this mortgage into default to hurt Chassen and his wife, who is a personal guarantor on the Head of Pond mortgage.

D. JJ NY 550 LLC

135. JJ Arch is also the sole member of JJ NY 550 LLC ("JJ 550"), which owns real property known as 550 Metropolitan Avenue, Brooklyn, New York 11211 ("550 Metropolitan"). NYSCEF No. 514.

136. In addition to Chassen's equity interest, Chassen is also a full recourse personal guarantor of the 550 Metropolitan mortgage debt. 550 Metropolitan is a retail condo, and Chassen had been solely responsible for it, dealing with its acquisition, financing, and tenant sourcing. 550 Metropolitan had been cash flow positive, but the tenant went out of business and stopped paying rent in July 2023, with the tenant vacating the property in October 2023.

137. On or about September 19, 2023, Chassen provided Simpson and his personal assistant, Raimy Klestadt, with all information about property and the vacancy at the property. Chassen provided Simpson all broker agreements, contract information and other relevant information. Chassen even provided Simpson with a broker to list the property for sale or leasing in November 2023, but he refused to engage a broker.

138. The monthly mortgage payment on the property is \$3,269.54, in addition to taxes and other monthly obligations. Simpson however depleted JJ 550's reserves. Simpson took no steps to lease, sell or even enter the property to manage it or keep it safe. Chassen learned the heat was not even on at the property, subjecting the property to a possible leak that could flood the condominium building.

139. Simpson also denied Chassen viewing access to the Connect One bank account for JJ 550 despite the Court's orders and Simpson's fiduciary obligations.

140. Now, because of Simpson's misconduct, JJ 550 is the subject of a foreclosure action captioned *Watermill Capital Holdings LLC v. JJ NY 550 LLC et. al.*, Index No. 525730/2024 (Suffolk Co.), with Chassen named as a guarantor-defendant on any deficiency judgment. Simpson has also caused JJ 550 to default in the foreclosure action. NYSCEF No. 715.

The Indemnification Provision for Guarantor Liability in the JJ Arch LLC Operating Agreement

141. Section 3.5 of the JJ Arch LLC Operating Agreement provides that Chassen may sue Simpson for indemnification for liability or damages that Chassen incurs because of a Guaranty "to the extent that such Damages are directly attributable to any action" by Simpson or were "affirmatively permitted" by Simpson and "which action was not unanimously approved by the Members." It provides in full as follows:

The Members acknowledge that in connection with any (i) financing or refinancing by AREH or another Investment Entity the lender may require any customary guaranty of payment, nonrecourse carve-out guaranty, construction completion guaranty, environmental indemnification and/or guaranty of compliance with applicable laws or (ii) lease for office space the landlord requires a guaranty of the Company's obligations thereunder (each, a "Guaranty," and collectively, "Guaranties"). Each Member, if a Guaranty is required and any Member is required to provide such Guaranty, agrees if a lender makes any written demand from time to time on a Guaranty made by a Member or its Affiliate, each Member shall pay, or reimburse the applicable guarantor, for its proportionate share of any amounts required to be paid on account of such

Guaranty unless, the cause of the claim on such Guaranty is directly attributable to any action of the other Member or its Affiliate, and which action was not approved by the non-Guarantying Member. Each Member (the “Guarantor Indemnitor”) agrees to indemnify, defend and hold harmless the other Member and its Affiliates and their respective directors, officers, employees and agents (collectively, “Guaranty Indemnified Parties”) from and against any and all damages, liabilities, losses, costs and expenses, including, without limitation, reasonable attorneys’ fees (collectively, “Damages”), actually incurred or suffered with respect to any amounts payable on account of a Guaranty by any of the Guaranteed Indemnified Parties to the extent that such Damages are directly attributable to any action by such Guarantor Indemnitor or any of its Affiliates or affirmatively permitted by such Guarantor Indemnitor or any of its Affiliates and which action was not unanimously approved by the Members.

142. An “Investment Entity” is defined in the JJ Arch LLC Operating Agreement as any “Person in which the Company holds an interest or serves as manager, from time to time.” *Id.* at § 1.1, Definitions. “Person,” in turn, is defined as “An individual, trust, estate, partnership, joint venture, association, company, corporation or other entity.” *Id.*

143. JJ NY 550, 1640 Montauk, and Borrower 1, Borrower 2, and Borrower 3 are each entities in which JJ Arch holds an interest or serves as a manager, and are Investment Entities within the meaning of the JJ Arch LLC Operating Agreement and subject to Section 3.5 of the JJ Arch LLC Operating Agreement.

144. Chassen was forced to provide guaranties for JJ NY 550 LLC, 1640 Montauk and Borrower 1 LLC, Borrower 2 LLC, and Borrower 3 LLC by virtue of his obligations under the JJ Arch LLC Operating Agreement.

145. Simpson’s actions as detailed herein have directly rendered these entities unable to pay their respective notes and mortgages. His actions and conduct with respect to these entities were not approved by Chassen.

146. Chassen is currently being sued as a guarantor in foreclosure proceedings against JJ NY 550, 1640 Montauk and Borrower 1, and has incurred, and will have to incur, costs and

expenses defending himself in those proceedings, as well as other actual and potential damages with respect to these guaranties.

147. Under Section 3.5 of the JJ Arch LLC Operating Agreement, Simpson is liable to Chassen for any damages incurred from the Guaranty “to the extent that such Damages are directly attributable to any action by” Simpson “or affirmatively permitted by” him and “which action was not unanimously approved by the Members.”

148. The liability Chassen stands to incur is directly attributable to actions taken by Simpson or affirmatively permitted by him and which Chassen did not approve, and Chassen has already been damaged insofar as he has been forced, or will be forced, to defend these actions and stands to suffer further damage insofar as he may be held liable for any deficiency judgments.

149. Further, even to the extent Simpson is not liable for such damage, Simpson is still obligated under that section to “pay, or reimburse the applicable guarantor, for its proportionate share of any amounts required to be paid on account of such Guaranty.” Accordingly, Chassen seeks a judgment, in the alternative, declaring that Simpson must reimburse Chassen for any payments he is forced to make under the guaranties that are above his proportionate share.

Simpson Pays His Personal Legal Bills from JJ Arch Without Posting an Undertaking to JJ Arch

150. Simpson has also stolen from JJ Arch by having it improperly pay his counsel in this action from JJ Arch accounts in violation of the JJ Arch Operating Agreement. Section 10.2 of the JJ Arch Operating Agreement provides that Chassen and Simpson can be indemnified from certain claims against them “by reason of any act or omission performed or omitted . . . in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of [their] authority . . . except that that no Covered Person shall be entitled to

be indemnified in respect of any loss, damage or claim incurred by such Covered Person by reason of gross negligence or willful misconduct with respect to such acts or omissions.”

151. Section 10.3 of the JJ Arch Operating Agreement further provides that legal expenses shall be advanced “prior to the final disposition or such claim, demand, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Covered Person to repay such amount if it shall be determined that the Covered Person is not entitled to be indemnified as authorized in Section 10.2 hereof.”

152. Simpson failed to post an undertaking to JJ Arch, while using JJ Arch assets to fund his legal expenses in this action. This violates both his contractual and fiduciary obligations to JJ Arch.

153. Further, because Simpson has engaged in gross negligence and willful misconduct, he will not be entitled to indemnification, and his payment of legal bills without posting an undertaking amount to theft of JJ Arch’s funds and assets, as he attempts to strip JJ Arch of its assets during the pendency of this action.

Simpson’s Unlawful Bankruptcy Filing

154. Months after Oak took over management of AREH during the pendency of this case, Simpson moved to modify the preliminary injunction removing JJ Arch as managing member of AREH and for permission to remove Chassen as a member of JJ Arch. NYSCEF No. 521. The Court denied that portion of the motion seeking to reinstate JJ Arch as the managing member of AREH pursuant to CPLR 6314 and set the remainder of the motion for a later hearing. NYSCEF No. 605.

155. Also, on February 7, 2024, the Court issued a TRO which ordered, among other things, that Simpson “ensure and continue to ensure that Chassen is provided with online viewing

access for all bank accounts of JJ Arch and the JJ Arch Controlled Entities.” NYSCEF No. 604. That TRO prohibited Simpson from selling JJ Arch Investment Entity assets without Chassen’s consent. And it also ordered Simpson to “provide and continue to provide Chassen with the JJ Arch and JJ Arch controlled books and records under the process detailed in Article 6 of the JJ Arch Operating Agreement.” *Id.* In seeking that order, Chassen also sought the appointment of a temporary receiver over JJ Arch, and presented evidence that Simpson was dissipating JJ Arch’s assets, failing to abide by the JJ Arch LLC Operating Agreement, failing to insure or protect properties from going into default, failing to pay taxes, and paying his own personal legal bills from JJ Arch funds without posting an undertaking. *See* NYSCEF Nos. 490-520.

156. After receiving an adverse ruling on his motion to vacate JJ Arch’s removal as managing member of AREH, on February 12, 2024 Simpson sent an email to the Deputy Chief Administrative Judge of the New York City Courts attacking the Court.

157. On February 21, 2024, Simpson filed an emergency application to the Appellate Division, First Department seeking to stay that part of the injunction that allowed me to consent on behalf of JJ Arch to Major Decisions made by AREH. *See* Appeal No. 2024-01021. After oral argument and briefing, the application was denied and referred to a “full bench for disposition.” App. Div. NYSCEF No. 9.

158. On March 6, 2024, the day before he contemptuously put JJ Arch into bankruptcy, Simpson wrote Kevin Weiner, an Oak principal the following email:

YOU DON’T KNOW ANYTHING, GO BACK TO CANADA AS YOU ARE PLANNING TO DO ANYWAY AFTER YOU ARE FINISHED RUINING THE BUSINESS THAT I BUILT. THE GROWN UPS WILL HANDLE IT. YOU WILL NEVER BE ALLOWED BACK IN THE US WHEN WE ARE DONE WITH THIS NONSENSE. DON’T SEND ME ANYTHING MORE, YOU WILL BE PROVEN GUILTY ON ALL RESPECTS – GOOD THAT YOU DUPED ONE JUDGE, YOU WON’T DUPE OTHERS. WHAT HAPPENED WITH CARTER?

YOU DIDN'T LIKE WHAT HE SAID SO YOU WITHDREW? LIKE A COWARD THAT YOU ARE. THIS ISNT A VIDEO GAME KEVIN.

(emphasis in original).

159. On March 7, 2024, Simpson filed a Petition for Chapter 11 Bankruptcy as purported “sole member” of JJ Arch (the “Petition”). NYSCEF No. 732. In his List of Equity Security Holders attached to the Petition, Simpson swore that he was the sole member, even though the court had nullified his purported termination notice, saying that:

Jared Chassen of 55 Manor Pond Lane, Irvington, NY 10533, previously owned a 49% percent membership interest in the Debtor JJ Arch LLC . . . Mr. Chassen was deemed to have resigned as a member of JJ Arch as of August 5, 2023, pursuant to the definition of ‘Resignation’ as set forth in the Limited Liability Company Agreement of JJ Arch LLC, dated December 11, 2017, as amended and restated on May 21, 2021 . . . and Section 7.5 of the Operating Agreement.

Id. at n. 1. Simpson also did not seek or obtain Chassen’s consent prior to filing the bankruptcy. In addition to being in violation of court orders and his contractual and fiduciary obligations, Simpson had no proper bankruptcy purpose for the filing. Simpson listed JJ Arch’s aggregate debt as primarily consisting of \$128,353.00 to a single law firm that represented Mr. Simpson personally in this action, Adam Leitman Baily, P.C. *Id.* at Form 204.

Simpson Further Destroys JJ Arch During the Bankruptcy

160. Simpson has been completely derelict in his management of JJ Arch. Every single Investment Entity mortgage is now in default, with all but one the subject of pending foreclosure proceedings. At the June 20, 2024 Section 341 Meeting (“Section 341 Meeting”), when asked about the income of JJ NY 550 LLC, 225 HPR LLC, and 1640 Montauk LLC, Simpson testified that “they’re all vacant at this point” and they have “practically no activity.” See NYSCEF No. 733 at 49:2-7. He boasted that though the Head of Pond property owned by 225 HPR LLC had been earning income through “unauthorized Airbnb leasing, which had been conducted by Mr.

Chassen after I've asked him not to," "[i]t finally stopped recently" so that it too was now generating no income. *Id.* at 49:23-50:5. The only business with financial activity, Simpson testified, was Rever Motors, with "money in and out every day," but its bookkeeping was, like every business managed by Simpson, "sporadic." *Id.* at 47:17, 48:9. He admitted to taking funds from Rever Motors to reimburse himself for purported loans. *Id.* at 52:16. And as to JJ Arch, Simpson testified that it now had no income. *Id.* at 38:11 – 39:24.

161. Simpson did not put any of JJ Arch's Investment Entities into bankruptcy and gave the entities JJ Arch owns no bankruptcy protection, allowing foreclosures to proceed unabated. *See e.g., 146 E. 89 Street Funding LLC v. 146 E 89 Borrower I LLC*, Index No. 850010/2024 (N.Y. Co.). While Simpson defaulted on behalf of JJ Arch in that proceeding, Chassen appeared and answered in his capacity as a guarantor defendant and opposed the motion seeking summary judgment and an order of reference. Chassen's opposition raised standing arguments that prompted the lender to then withdraw its motion on October 13, 2024. Simpson waived those defenses on behalf of the JJ Arch Investment Entity by defaulting.

162. In addition to defaulting in the foreclosure proceeding with respect to the 89th Street Property, Simpson also turned on the third-party investors, blamed them, and threatened to sue them. On February 15, 2024, he wrote Adam Peldman, the investor: "Adam has killed the deal with his skepticism and is gun shy and expects everything to be in a bow before he commits to anything at all so I'm telling the lender that my signature is retracted and I guess this will be another issue we will all deal with in court. I cannot do more, and there is not another iteration, Adam, you are your own enemy and too bad on this one. All rights reserved." After filing the bankruptcy, Simpson scuttled a potential deal in the Bankruptcy Court by ignoring the Peldmans

requests for information. The Peldmans have also filed a letter to the Court supporting Chassen's request to have Simpson immediately removed. *See* NYSCEF No. 700.

163. After filing the bankruptcy, foreclosures were also commenced against all but one of JJ Arch's Investment Entity Properties. *See Watermill Capital Holdings LLC v. JJ NY 550 LLC et. al.*, Index No. 525730/2024 (Suffolk Co.); *Watermill Capital Holdings LLC v. 1640 Montauk LLC et. al.*, Index No. 623575/2024 (Suffolk Co.), giving lie to any bankruptcy purpose to the filing. Chassen is a named guarantor defendant in each foreclosure action.

Simpson's Unhinged Mental State

164. Simpson's mental state after his bankruptcy filing can only be described as unhinged.

165. He has turned to wild conspiracy theories that Oak and its principals are behind famous unsolved murders, and known suicides.² No longer content with touting the claim that Chassen worked with Oak to remove him for cause, he now says in emails that Chassen is in cahoots with Michael [Wiener] in ‘prostitution, narcotics, straight up collusion.’” He calls Kevin Wiener a “lowlife” and tells him Michael Wiener and I are involved in prostitution. He emails

² In one recent unsolicited email, he tells Kevin and Michael Wiener that “[n]ow I am really troubled that Brandon Miller committed suicide in the last few weeks” and implies that they may be behind it and “there are too many coincidences here. I guess we shall see if there is any connection.” Brandon Miller was a prominent real estate businessman who committed suicide on July 3, 2024. *See* <https://www.ndtv.com/world-news>this-new-york-based-real-estate-mogul-died-with-34-million-in-debt-had-just-8-000-in-bank-6458440>. He tells them “there’s so many commonalities here it’s indisputable and frankly concerning. We will let the authorities decide if they want to investigate if it has merit. . . it won’t go away Kevin it won’t unless you try to do something to me like may have happened to Brandon or to the Shorfam family . . .” *Id.* Simpson appears here to be referring to the Sherman family in Toronto, owners of the Sherfam Inc. family fund, whose murder remains unsolved. *See* https://en.wikipedia.org/wiki/Barry_Sherman; Family of murdered billionaire Barry Sherman split by lawsuit over money, National Post, Jan 16, 2024 available at: <https://nationalpost.com/news/canada/barry-sherman-family-money-lawsuit>

Kevin Wiener telling him he is “loser” who “live[s] by your lonesome self with your videogames,” and that “nobody will marry you.” He tells Oak’s principals, “you guys are nothing but disgusting pigs . . . thieves and criminals.” He sends unsolicited emails to Chassen and his attorneys, addressing them as “Good day group of unethical criminals.” And he flaunts how he is using his control of JJ Arch to prevent Chassen from working at all, telling Chassen that the “only thing else you knew to do was be a male prostitute. Maybe that’s what you’re going be pursuing now because you’re not able to do anything.”

166. He also repeatedly touts how he has “contacted just about every criminal investigation organization that exist between the US, New York and Canada” and has “disclosed to them quite a bit of information in their requests about you guys and Jared and the others who have participated in your criminal activities.” Two of JJ Arch’s purported bankruptcy counsel have sought to withdraw pursuant to Rule 1.16(c) of the New York Rules of Professional Conduct because Simpson insisted on presenting claims or defenses that it believed unwarranted under the law.

167. And Simpson now openly proclaims he is unbound by court orders. For example, on September 5, 2024, he wrote to Kevin Wiener “We’ve started dissolution and I don’t need any court order to tell me to the contrary. They are not the owners of the company, I am, you’ve been pushed to the sideline after the exclusivity, you’re nobody as it relates to Arch, absolutely nobody.”

168. After Chassen answered the foreclosure case captioned *146 E. 89 Street Funding LLC v. 146 E 89 Borrower 1 LLC*, Index No. 850010/2024 (N.Y. Co.), Simpson wrote Chassen and his counsel that even though Chassen is a named guarantor defendant in that proceeding, Chassen “had absolutely no ability to make such a filing on behalf of anything related to this

property or LLC,” calling Chassen’s lawyer a “dirtbag” and threatening him that “the actions around your perjury and your malfeasance will be pursued separately without question.”

169. Even at formal proceedings, Simpson has been unable to refrain from hurling abuse. At the Section 341 Meeting in the Bankruptcy Court, both his counsel and Mr. Masumoto, the United States Trustee, had to admonish Mr. Simpson for his conduct. *See* NYSCEF No. 733 at 73:23-24, 78:20-25, 80:11-81:13.

170. Simpson also attempted to use the bankruptcy to pursue outright theft. On September 3, 2024, Simpson filed a Proposed Plan of Reorganization (the “Plan”) that openly touted that Simpson was in the process of breaching his fiduciary duties to me, my family members and others by transferring all the assets belonging to various non-JJ Arch owned limited liability corporations to JJ Arch for no consideration. *See Chassen et. al. v. Simpson et. al.*, Index No. 654928/2024 (N.Y. Co.), NYSCEF Nos 1-46. The Court entered a TRO restraining any such transfer. *Id.* at NYSCEF No. 52.

Simpson’s Refusal to Provide Books and Records and Bank Account Viewing Access

171. On February 7, 2024, this Court issued a TRO which, among other things, ordered that Simpson “ensure and continue to ensure that Chassen is provided with online viewing access for all bank accounts of JJ Arch and the JJ Arch Controlled Entities.” *See* NYSCEF No. 604, February TRO. Simpson was also obligated to provide that bank account viewing access by the August Interim Order, NYSCEF No. 36, but instead of doing that, he opened new bank accounts and denied me access. The Court also ordered Simpson to “provide and continue to provide Chassen with the JJ Arch and JJ Arch Controlled Entities’ books and records under the process detailed in Article 6 of the JJ Arch Operating Agreement.” *Id.*

172. Chassen never received any books and records and never received account viewing access to newly opened accounts, including at JJ NY 550 LLC 1640 Motors LLC, and 1640 Montauk LLC. Chassen had sent a books and records demand on November 29, 2023 (NYSCEF No. 502) and again on February 29, 2024 (NYSCEF No. 747), both of which Simpson refused to comply with.

173. Simpson has continued to sell JJ Arch assets without Chassen's consent, such as cars at Rever Motors, and has failed to account for the funds, with his record keeping admittedly "sporadic." This Court's orders were clear that Simpson had to seek Chassen's consent before any Major Decisions, which include the sale of JJ Arch's assets, and that he had to provide Chassen with books and records and account viewing access.

174. On February 29, 2024, Chassen's counsel sent a letter demanding Simpson's compliance with the TRO. On March 3, 2024, Simpson claimed to have created a username and password for Chassen, but when Chassen used the password, it was ineffective. Simpson wrote Chassen "you have what you are going to get, if you think you need more go to court and cry, because you are nothing short of useless, other than be a proxy for Oak." Chassen called the bank and was told by the bank that he needed an access code that Simpson has or could get but would not provide. The bank also told Chassen that he was not authorized in any manner for the account. Simpson refused to assist Chassen after Chassen told him this.

175. Also on March 4, 2024, Steven Altman, Simpson's former counsel, responded to the books and records demand letter falsely claiming that Chassen's counsel's February 29, 2023 demand letter had been written by Oak and that "Mr. Simpson has in all respects complied with the Court's February 2, 2024 Order" and "you and your client's efforts to create a false record and narrative are and will be unavailing if you foolishly seek judicial relief based on Mr. Chassen's

continuing lies.” Mr. Simpson also unequivocally refused to provide books and records as required by the TRO, falsely claiming that Chassen “had possession of all the records.” This was entirely false, as Simpson has kept Chassen blind about his JJ Arch activities and provided Chassen with no records. Chassen’s counsel responded on March 5, 2024--just two days before Simpson filed the unlawful bankruptcy--that Chassen would be moving to enforce the Court’s orders.

176. Chassen has since been unable to obtain bank account viewing access or books and records from Simpson, including after the Court entered another TRO on November 18, 2024 requiring Simpson to provide the requested information immediately. *See* NYSCEF No. 941. Simpson’s failures to provide this information is both a contempt of Court and a breach of fiduciary duty, as a fiduciary has an obligation to disclose such material information.

The Bankruptcy Court Dismisses the Bankruptcy, Expressly Finding that Simpson Filed it in Bad Faith and that he then Grossly Mismanaged the Bankruptcy Estate

177. On October 11, 2024, the Bankruptcy Court dismissed the JJ Arch bankruptcy because of, inter alia, Simpson’s subjective and objective bad faith in filing it and his subsequent gross mismanagement of JJ Arch. *In re JJ Arch LLC*, 2024 Bankr. LEXIS 2505, at *35-53 (Bankr. S.D.N.Y. Oct. 11, 2024). The Bankruptcy Court found that the filing was “an attempt by Mr. Simpson to avoid the resolution of the governance issues raised in the State Court Proceeding—a proceeding initiated by Mr. Simpson.” *Id.* at *43. Further, “no reasonable person would have believed reorganization was possible . . .” *Id.* at *47. The Bankruptcy Court also dismissed the bankruptcy on a finding that there was “gross mismanagement of the estate,” which included a failure to preserve estate assets, a failure to adequately report operating activities and comply with his “fiduciary obligation” to the Court and the parties, and a failure to adequately explain his insider transactions with YJ Simco LLC. *Id.* at *35-38. JJ Arch’s “post-petition lack of income and excessive accrual of expenses—[also] indicate that there has been

“gross mismanagement of the estate . . .” *Id.* at *36 (citations omitted). Simpson incurred hundreds of thousands of dollars of legal fees on behalf of JJ Arch that the Bankruptcy Court found “excessive for a debtor without a stream of revenue” and thereby caused “a substantial or continuing loss to or diminution of the estate . . .” *Id.* at *33 (citations and quotations omitted, cleaned up).

178. Simpson’s bankruptcy filing as purported “sole member” in defiance of court orders, and his conduct during the bankruptcy, was a breach of fiduciary duty to Chassen, JJ Arch, and AREH. Further, the Bankruptcy Court’s factual findings, including that Simpson breached his fiduciary duties and committed gross mismanagement, are incorporated herein and further support Chassen’s claims for relief herein.

The Fraudulent Capital Call

179. One day prior to purporting to re-terminate Chassen from JJ Arch, on August 31, 2023 Simpson purported to serve a capital call on Chassen (the “**Fraudulent Capital Call**”) that was a barely disguised effort to justify terminating Chassen in violation of the Court’s Interim Order. *See* NYSCEF No. 519.

180. The Fraudulent Capital Call demanded that Chassen retroactively reimburse Simpson for \$1,241,230.00 that he allegedly had put into JJ Arch.

181. Simpson reached that number by claiming that Chassen owes \$741,230 to “balance 50/50 for 225 HPR, 550 Met, 1640, 1640 Motors, and 146 E. 89th.” Further, the Fraudulent Capital Call claims that Simpson be reimbursed for his alleged payment of the \$1,000.000 million Personal Line of Credit.

182. The Fraudulent Capital Call separately claimed that Chassen improperly took a total of \$34,400 on August 4, 2023 and August 9, 2023.

183. Finally, the Fraudulent Capital Call claimed that Chassen owes \$70,500 from 88 Schwenks because “the 88 Schwenks closing distribution was not properly allocated per the Capital accounts in the transaction.” 88 Schwenks was a property they purchased in June of 2022, in which they had a 50% interest, with another investor having the other 50% share. Simpson and Chassen were thus 50/50 partners in 50% of this asset, and they had agreed to a 50-50 split of the sale proceeds.

184. The Fraudulent Capital Call was in breach of the JJ Arch Operating Agreement, was issued in bad faith to retaliate against Chassen in violation of the Interim Order, and to create a pretext for Simpson to loot JJ Arch and their jointly owned assets, and constitute a further breach of fiduciary duty.

185. Section 4.2 of the JJ Arch Operating Agreement allows Simpson to deliver a Capital Call Notice when “(i) *Simpson determines* that additional funds are required by the Company to meet its general or administrative expenses or (ii) *the Company is required* to make a capital contribution to an Investment Entity.” Ex. 2, JJ Arch Operating Agreement at § 4.2(b). (emphasis added). “Investment Entity” is defined to mean “AREH, and each other Person in which the Company holds an interest or serves as manager, from time to time.” *Id.* at § 1.1, Investment Entity.

186. The Capital Call Notice must “set forth the total amount of capital required . . . and the purpose of such Capital Call.” *Id.* at § 4.2(b). Within five Business Days of their receipt of the Capital Call Notice, then Simpson and Chassen shall each pay, “if such Capital Call Notice is in connection with a *requirement* of the Company to make a capital contribution pursuant to Section 3.4 of the AREH Operating Agreement, their respective percentages of Promote

Distributions paid to Members hereunder or (ii) in all other cases, 50% of Capital Call Amount.”

Id. (emphasis added).

187. When a member then fails “to make a *required* Capital Contribution, as and when due, for any reason, and such failure continues for two (2) Business Days following written notice of such default,” *then* the member who makes the capital contribution “shall have the right to contribute the amount of the Non-Contributing Member’s Capital Contribution requested by the applicable Capital Call Notice, which contribution shall not be deemed a capital call contribution but rather a loan (a “Default Loan”) to the Non-Contributing Member in an amount equal to the unfunded capital contribution. *Id.* at § 4.2(c) (emphasis added).

188. Simpson’s Fraudulent Capital Call flouted the JJ Arch Operating Agreement.

189. First, it relied on purported payments Simpson made to Investment Entities when the operating agreements for each of those entities expressly provides that JJ Arch has no further capital obligations to them, and when they never issued any capital calls. For example, each of the Operating Agreements for HPR LLC, 1640 Montauk LLC, and JJ 550 NY LLC provide that other than the initial contribution, JJ Arch “shall have no obligation to make any further capital contributions to the Company.” NYSCEF No. 404, 225 HPR LLC Operating Agreement at § 2.2; NYSCEF No. 500, 1640 Montauk LLC Operating Agreement at § 2.2; NYSCEF No. 514, JJ NY 550 LLC Operating Agreement at § 2.2. Further, each provides that JJ Arch “shall not have any personal liability for the losses, debts, claims, expenses or encumbrances of or against the Company or its property.” *Id.* at Article 4. And, of course, no capital calls were ever issued to JJ Arch from those entities. NYSCEF No. 577, Jan. 31, 2024 Chassen Affirm. at ¶ 40.

190. The Operating Agreements for 146 E. 89 Borrower 2 LLC and 146 E. 89 Borrower 3 LLC gave JJ Arch the right to issue capital calls to the members of those entities,

which JJ Arch was not. NYSCEF No. 410, 146 E 89 Borrower 2 LLC Operating Agreement at § 3.2; NYSCEF No. 411, 146 E 89 Borrower 3 LLC Operating Agreement at § 3.2 Further, JJ Arch never issued any capital calls in connection with those entities. NYSCEF No. 577, Jan. 31, 2024 Chassen Affirm. at ¶ 42. And while the Operating Agreement for 146 E. 89 Borrower 1 LLC gave JJ Arch the right to issue capital calls to the members, here JJ Arch and Jonathan Peldman, no capital call was ever issued. NYSCEF No. 409, 146 E 89 Borrower 1 LLC Operating Agreement at § 3.2; NYSCEF No. 577, Jan. 31, 2024 Chassen Affirm. at ¶ 42.

191. In fact, Simpson conceded that no capital calls were ever issued to JJ Arch, but instead argued that he could issue a capital call from JJ Arch to Chassen because Section 4.2 of the JJ Arch Operating Agreement allows him to issue capital calls when JJ Arch “is required to make a capital contribution to an Investment Entity,” and “required,” according to Simpson, means “when Simpson determines” it is “required” rather than legally or contractually required. NYSCEF No. 603, Feb 2, 2023 Hr. Tr. at 31:1-12.

192. This position is contrary to the plain language of the JJ Arch Operating Agreement, because while the clause “Simpson determines” was included in Section 4.2(b)(i) (general and administrative expenses), it was excluded in Section 4.2(b)(ii) (capital obligations of Investment Entities). Ex. 2, JJ Arch Operating Agreement at § 4.2(b). Under accepted canons of contract construction, when language is omitted from a provision but placed in other provisions, it must be assumed that the omission was intentional.

193. And while the omission of the phrase “Simpson determines” is dispositive of the parties’ intent, the word “required” is also used throughout Section 4.2 to mean “contractually required.” Ex. 2, JJ Arch Operating Agreement at § 4.2(b) (“if such Capital Call Notice is in connection with a *requirement* of the Company to make a capital contribution pursuant to

Section 3.4 of the AREH Operating Agreement . . ."); *Id.* at § 4.2(c) ("[i]f a Member . . . shall fail to make a required Capital Contribution" . . . then it can become a Default Loan). Thus, "required" as used in Section 4.2(b)(ii) does not mean when Simpson determines it is required, but when it is contractually required.

194. Second, the plain language of Section 4.2 of the JJ Arch Operating Agreement does not allow retroactive capital calls because it contemplates a Capital Call Notice issued to both Simpson and Chassen, *after which* both Simpson and Chassen must pay their respective portions within 5 days of receipt. Ex. 2, JJ Arch Operating Agreement at § 4.2(b) ("*Each of Simpson and Chassen shall be required to make an additional Capital Contribution to the Company in immediately available funds within five (5) Business Days of receipt of the Capital Call Notice.*") (emphasis added).

195. Third, Simpson relies on his alleged repayment of a line of credit that was not a JJ Arch expense or loan. NYSCEF No. 461, Aug. 31, 2023 Capital Call Notice; NYSCEF No. 577, Jan. 31, 2024 Chassen Affirm. at ¶ 27 (citing NYSCEF No. 516, Loan Documents). Instead, it was a line of credit issued to both Simpson and Chassen personally that was used for myriad purposes. NYSCEF No. 577, Jan. 31, 2024 Chassen Affirm. at ¶ 27 (citing NYSCEF No. 516, Loan Documents). Simpson cannot use his repayment of a line of credit issued to Chassen and Simpson as a JJ Arch capital expense.

196. Fourth, Simpson claims that there is an imbalance in the distribution of proceeds from the sale of real property known 88 Schwenks, Watermill, New York 11976 that was owned by 88 Schwenks LLC, an entity whose members were Mark Lapidus and JJ NY Schwenks LLC. NYSCEF No. 461, Aug. 31 Capital Call Notice. Simpson claims that even though he agreed to distribute the proceeds of the sale of that Investment Property 50-50 with Chassen, he can

retroactively claim that the proceeds were not distributed correctly and somehow recoup this as a “Capital Call” obligation of JJ Arch. Similarly, Simpson claims that \$34,400 in GP draws allegedly taken by Chassen in early August 2023—when Simpson and Chassen had terminated each other from JJ Arch—were never authorized by Simpson or were otherwise impermissible. NYSCEF No. 577, Jan. 31, 2024 Chassen Affirm. at ¶¶ 29-30. Even accepting these claims as true, and they are not, however, there is nothing in the JJ Arch Operating Agreement that would allow Simpson to issue a Capital Call merely based on these alleged unauthorized distributions or his later dissatisfaction with an agreed-upon distribution of profit. Capital Calls may be issued only to “meet general and administrative expenses” of JJ Arch or if JJ Arch “is required to make a Capital Contribution to an Investment Entity” and the Capital Call Notice itself must “explain the purpose of such Capital Call,” i.e., how it satisfies those two conditions. Ex. 2, JJ Arch Operating Agreement at § 4.2(b) The August 31 Capital Call Notice complies with none of these requirements.

197. The Capital Call Notice was also improper because the parties’ rights and interests in HPR LLC, 1640 Montauk, 1640 Motors, and JJ NY were contractually agreed to in a contract, and Simpson’s calculations of the parties’ respective investments in JJ Arch or its Investment Entities was inaccurate.

Even if the Capital Call Notice Were Valid, There Still is no Default Loan

198. Even assuming the validity of the Fraudulent Capital Call, there is still no Default Loan under the JJ Arch Operating Agreement. Simpson claimed that because “Chassen failed to meet that Capital Call [then] [b]y operation of Section 4.2(c) of the JJ Arch Operating Agreement, the unpaid Capital Call was deemed to be a Member Default Loan.” NYSCEF No. 525, Simpson Memo of Law in Supp. at 27. Simpson misreads the JJ Arch Operating

Agreement. No Default Loan automatically arises from an unpaid Capital Call Notice, and the JJ Arch Operating Agreement gives no automatic right to foreclose.

199. Under Section 4.2(b) of the JJ Arch Operating Agreement, Simpson could issue a Capital Call Notice “setting forth the total amount of capital required,” and Simpson and Chassen would then have five business days to each pay 50% of the Capital Call Amount. Ex. 2, JJ Arch Operating Agreement at § 4.2(b). Under Section 4.2(c), if one member failed to pay, then two business days following written notice of default, the other member could pay that amount as a loan instead of a capital contribution, which would then be deemed a Default Loan. *Id.* at § 4.2(c).

200. The Default Loan was to be evidenced by a promissory note bearing 12% interest per annum and would operate as a security interest in the other member’s membership interests. It was payable “by the Non-Contributing Member from any distributions due to Non-Contributing Member hereunder.” *Id.* The security interest could only be foreclosed upon if “during the period in which a Default Loan is outstanding, distributions are paid to the Non-Contributing Member prior to payment in full of all amounts (including interest) owed under the Default Loan.” *Id.*

201. Thus, under these provisions, Chassen had to have five business days to pay the Capital Call after the Capital Call Notice. Simpson could then make a Default Loan two business days after written notice of a default in paying. *Id.* at §§ 4.2(b)-(c). Simpson does not even claim to have complied with the requirements of Section 4.2(c), instead relying on the Capital Call Notice itself to automatically create the Default Loan. The JJ Arch Operating Agreement clearly requires an additional default notice before the alleged unpaid Capital Contribution can be converted into a Default Loan.

Even if there Were a Default Loan, There Were No Distributions During the Period of Any Default Loan

202. Additionally, even when there is a Default Loan, a foreclosure right arises only if “during the period in which a Default Loan is outstanding, distributions are paid” to the non-contributing member. *Id.* Thus, it is not enough that a member is paid distributions, but they must be paid after the Default Loan comes into existence.

203. In support of his claim that there is a Member Loan, Simpson relied on three ACH auto-payments after the Capital Call Notice as the alleged purported distributions during the period of the purported Default Loan: a \$481.60 ACH auto-payment to State Farm on September 21, 2023 (NYSCEF No. 462, Bank Account Excerpt), an October 24, 2023 ACH Optimum auto-payment of \$109.82, and the same ACH auto-payment in the same amount on November 24, 2023. NYSCEF No. 463, Bank Account Excerpt.

204. These three ACH auto-payments cannot qualify as “distributions” within the meaning of the JJ Arch Operating Agreement. These auto-payments were on accounts that Simpson solely controlled, and to which Chassen had only viewing rights. NYSCEF No. 525, Simpson’s Memo of Law at 27 (citing NYSCEF Nos. 462 and 463, Bank Account Excerpts). These were *di minimus* ACH pre-set auto-payments that Chassen was unaware were continuing from accounts Simpson controlled but in which he never cancelled auto-payments. Nothing about *di minimus* auto-payments out of accounts Simpson controls qualifies as a distribution within the meaning of Section 4.2 of the JJ Arch Operating Agreement. Simpson’s bad faith attempt to manufacture a foreclosure out of *di minimus* payments made from accounts Chassen has nothing other than viewing rights violates the covenant of good faith and fair dealing and Simpson’s fiduciary duties to Chassen. And even if did constitute a distribution, “[e]quity should intervene to prevent [such] a forfeiture” based on a *di minimus* auto-payment out of an account

solely controlled by Simpson. *Restoration Realty Corp. v Robero*, 87 A.D.2d 301, 305 (1st Dep’t 1982).

The August 1, 2023 Contract Between Chassen, Simpson and YJ Simco

205. On August 1, 2023, Chassen entered a contract with Simpson and Simco in which Chassen agreed to transfer any membership interest he has in 1640 Montauk and 1640 Motors to Simpson in exchange for \$675,938.35 (the “Contract”). Further, in the Contract, Simpson agreed that HPR LLC “will be managed collectively by both Simpson and Chassen, regardless of the organizational documents of 225 HPR.” The organizational documents of HPR state that JJ Arch is the sole member, Simpson is the President, and Chassen the Vice President.

206. Pursuant to paragraph 2 of Contract, Simpson agreed to make an initial payment to Chassen of \$500,000 “simultaneously with the closing by Simpson of that certain loan from Connect One Bank in the principal amount of \$995,000 (the “Loan”),” with the balance of the “Purchase Price . . . paid to Chassen from the distributions paid to Simpson by 1640 Montauk, 225 HPR and 1640 Opco, which payments shall be made to Chassen at Simpson discretion, provided that the balance of the Purchase Price shall be paid to Chassen at the sooner of (i) a capital event for the above listed Companies or (ii) the date that is twenty four (24) months following the Closing Date.”

207. The buyout calculation in Exhibit B of the Contract expressly incorporated that Simpson had repaid in or about June 2023 a prior ConnectOne Bank line of credit that was made personally to Simpson and Chassen (the “Personal Line of Credit”). As evidenced from these loan documents, the total line of credit was for \$1,000,000.00, but deducted \$3,788.00 in various fees at closing.

208. Simpson's repayment of the Personal Line of Credit was expressly incorporated into the Contract and is the \$497,500.00 deducted from the initial buyout amount as calculated in Exhibit B of the Contract, leading to the total buyout amount of \$675,983.35.

209. The Contract also recognized and was premised upon their agreement to a 50-50 distribution from the sale of property owned in part by Chassen and Simpson known as 88 Schwenks.

210. Their business plan was to create a working farm or to lease the land to an operator. This investment did not work out and Simpson and Chassen decided to sell the property in the spring of 2023 at a loss, with Simpson suggesting Chassen that they should sell the asset and split proceeds 50/50 so that both would have some cashflow. 88 Schwenks was sold a few days before the Contract was executed. The Contract expressly recognized that the 88 Schwenks proceeds were split 50-50, providing in Exhibit B that the distribution of the Schwenks money had been split 50-50

211. Simpson quickly renounced and breached the Contract, declaring it terminated and refused to proceed to close on the new loan. Indeed, on August 2, 2023 after the loan documents were fully executed and the closing fees debited from the account, ConnectOne Bank asked Chassen and Simpson to re-sign a certain form as they had sent the incorrect version, which Chassen did, but which Simpson refused to do, thereby preventing the loan from being issued.

212. Simpson has claimed that Chassen failed to exceed the 50% liquidity covenant required by the lender but this is false and the lender in fact approved Chassen, approved the loan, and was at the closing table.

213. Simpson and YJ Simco have purposefully and in bad-faith frustrated performance of the Contract and Simpson unlawfully declared that he would not comply with it.

Demand Futility

214. Chassen did not make a pre-suit demand because such demand would be futile. Simpson, as managing member JJ Arch, is himself accused of the wrongdoing alleged herein to JJ Arch and its Investment Entities. He is interested in the transactions alleged herein, and has, as alleged herein, completely abdicated his fiduciary responsibilities. Simpson is incapable of making an impartial decision as to whether to bring this suit against himself on behalf of JJ Arch and its Investment Entities. Accordingly, any demand requirement is futile and excused.³

CAUSES OF ACTION

FIRST CAUSE OF ACTION

(Breach of fiduciary duty against Simpson-derivative claim on behalf of JJ Arch)

215. Chassen repeats each of the preceding allegations as if fully set forth herein.

216. Chassen has standing to bring a derivative claim on behalf of JJ Arch because he is a member.

217. Simpson, as the current managing member of JJ Arch, owes JJ Arch fiduciary duties, including the duty of loyalty and good faith.

218. Simpson breached his fiduciary duties to JJ Arch, by among other things, (1) misappropriating JJ Arch's assets; (2) engaging in abusive behavior; (3) utterly mismanaging JJ Arch and its properties for his own self-interest, (4) failing to maintain internal controls or accounting, (5) failing to devote his business time to JJ Arch; (6) issuing misleading disclosures; (6) refusing to provide books and records to Chassen even though obligated to do so, and refusing to provide material information to Chassen; (7) causing JJ Arch to breach its fiduciary obligations

³ Demand also remains futile or unnecessary with respect to Chassen's derivative claim on behalf of AREH because Oak is presently acting as interim managing member on behalf of AREH pending the outcome of its suit.

and exposing it to liability; (7) making decisions that were harmful to JJ Arch and investors for self-interested reasons; (8) failing to make adequate disclosures to investors; (9) unlawfully attempting to terminate Chassen for self-interested reasons; (10) failing to obtain Chassen's consent prior to taking Major Decisions as defined in the JJ Arch Operating Agreement; (11) willfully causing JJ Arch's properties to fail and go into default; (12) unlawfully paying his legal expenses without posting an undertaking to JJ Arch; (13) issuing a Fraudulent Capital Call to Chassen; (14) causing JJ Arch to breach its fiduciary duties to Chassen, AREH and its subsidiaries, and each of JJ Arch's Investment Entities; (15) filing a bad-faith bankruptcy; (16) grossly mismanaging JJ Arch; and (17) causing a substantial diminution in the value of JJ Arch.

219. Simpson's breaches of fiduciary duty have damaged JJ Arch.

220. The Court should enter a judgment against Simpson awarding JJ Arch its damages, including consequential damages, in an amount to be determined at trial, but estimated to exceed \$1 million.

SECOND CAUSE OF ACTION
(Breach of fiduciary duty against Simpson-derivative claim on behalf of 225 HPR LLC)

221. Chassen repeats each of the preceding allegations as if fully set forth herein.

222. Chassen has standing to bring a derivative claim on behalf of HPR LLC because he is a member of JJ Arch, which in turn is the sole member of HPR LLC.

223. Simpson, as the current managing member of JJ Arch, owes HPR LLC fiduciary duties, including the duty of loyalty and good faith.

224. Simpson breached his fiduciary duties to HPR LLC, by among other things, (1) misappropriating HPR LLC's assets; (2) mismanaging the Head of Pond Property for his own personal interest, and purposefully causing it to default on its mortgage; (3) failing to maintain

internal controls or accounting; and (4) refusing to provide books and records to Chassen even though obligated to do so, and refusing to provide material information to Chassen.

225. Simpson's breaches of fiduciary duty have damaged HPR LLC.

226. The Court should enter a judgment against Simpson awarding HPR LLC its damages, including consequential damages, in an amount to be determined at trial, but estimated to exceed \$1 million.

THIRD CAUSE OF ACTION
(Breach of fiduciary duty against Simpson-derivative claim on behalf of 1640 Montauk LLC)

227. Chassen repeats each of the preceding allegations as if fully set forth herein.

228. Chassen has standing to bring a derivative claim on behalf of 1640 Montauk because he is a member of JJ Arch LLC, which is the sole member of 1640 Montauk.

229. Simpson, as the current managing member of JJ Arch, owes 1640 Montauk fiduciary duties, including the duty of loyalty and good faith.

230. Simpson breached his fiduciary duties to 1640 Montauk, by among other things, (1) misappropriating its assets; (2) mismanaging the Rever Property and Rever Motors for his own personal interest, and purposefully causing 1640 Montauk to default on its mortgage; (3) failing to maintain internal controls or accounting; (4) failing to pay taxes and stealing payroll taxes; and (5) refusing to provide books and records to Chassen even though obligated to do so, and refusing to provide material information to Chassen.

231. Simpson's breaches of fiduciary duty have damaged 1640 Montauk and 1640 Motors.

232. The Court should enter a judgment against Simpson awarding 1640 Montauk its damages, including consequential damages, in an amount to be determined at trial, but estimated to exceed \$1 million.

FOURTH CAUSE OF ACTION
(Breach of fiduciary duty against Simpson-derivative claim on behalf of 1640 Motors LLC)

233. Chassen repeats each of the preceding allegations as if fully set forth herein.

234. Chassen has standing to bring a derivative claim on behalf of 1640 Motors because he is a member of JJ Arch, which in turn is the sole member of 1640 Montauk, the member of 1640 Motors.

235. Simpson, as the current managing member of JJ Arch, owes 1640 Motors fiduciary duties, including the duty of loyalty and good faith.

236. Simpson breached his fiduciary duties to 1640 Motors, by among other things, (1) misappropriating 1640 Motor's assets; (2) mismanaging Rever Motors for his own personal interest; (3) failing to maintain internal controls or accounting; (4) refusing to provide books and records to Chassen even though obligated to do so, and refusing to provide material information to Chassen; and (5) failing to pay taxes and stealing payroll taxes.

237. Simpson's breaches of fiduciary duty have damaged 1640 Motors.

238. The Court should enter a judgment against Simpson awarding 1640 Motors its damages, including consequential damages, in an amount to be determined at trial, but estimated to exceed \$1 million.

FIFTH CAUSE OF ACTION

(Breach of fiduciary duty against Simpson-derivative claim on behalf of JJ NY 550 LLC)

239. Chassen repeats each of the preceding allegations as if fully set forth herein.

240. Chassen has standing to bring a derivative claim on behalf of JJ 550 because he is a member of JJ Arch, which in turn is the sole member of JJ 550.

241. Simpson, as the current managing member of JJ Arch, owes JJ 550 fiduciary duties, including the duty of loyalty and good faith.

242. Simpson breached his fiduciary duties to JJ 550, by among other things, (1) misappropriating JJ 550's assets; (2) mismanaging JJ 550 for his own personal interest; (3) failing to maintain internal controls or accounting; (4) refusing to provide books and records to Chassen even though obligated to do so and refusing to provide material information to Chassen; and (5) purposefully causing it to default on its mortgage.

243. Simpson's breaches of fiduciary duty have damaged JJ 550.

244. The Court should enter a judgment against Simpson awarding JJ 550 its damages, including consequential damages, in an amount to be determined at trial, but estimated to exceed \$1 million.

SIXTH CAUSE OF ACTION

(Breach of fiduciary duty against Simpson-derivative claim on behalf of 146 E. 89 Borrower 1 LLC)

245. Chassen repeats each of the preceding allegations as if fully set forth herein.

246. Chassen has standing to bring a derivative claim on behalf of Borrower 1 because he is a member of JJ Arch, which in turn is the managing member of Borrower 1.

247. Simpson, as the current managing member of JJ Arch, owes Borrower 1 fiduciary duties, including the duty of loyalty and good faith.

248. Simpson breached his fiduciary duties to Borrower 1, by among other things, (1) mismanaging the 89th Street Property and engaging in illegal conduct; (2) misappropriating assets; (3) failing to maintain internal controls or accounting, (4) refusing to provide books and records to Chassen and investors even though obligated to do so and refusing to provide material information to Chassen and investors. (5) purposefully causing it to default on its mortgage.

249. Simpson's breaches of fiduciary duty have damaged Borrower 1.

250. The Court should enter a judgment against Simpson awarding Borrower 1 its damages, including consequential damages, in an amount to be determined at trial, but estimated to exceed \$1 million.

SEVENTH CAUSE OF ACTION
(Breach of fiduciary duty against Simpson-derivative claim on behalf of AREH)

251. Chassen repeats each of the preceding allegations as if fully set forth herein.

252. Chassen has standing to bring a derivative claim on behalf of AREH because he is a member of JJ Arch, which in turn is a member of AREH.

253. Simpson, as the managing member of JJ Arch, owes AREH fiduciary duties, including the duty of loyalty and good faith.

254. Simpson breached his fiduciary duties to AREH, by among other things, (1) misappropriating AREH and its subsidiaries' assets; (2) engaging in abusive behavior to Oak and other investors; (3) utterly mismanaging AREH and its subsidiaries properties for his own self-interest, (4) failing to maintain internal controls or accounting, (5) failing to devote his business time to AREH; (6) issuing misleading disclosures; (6) refusing to provide books and records to AREH's members even though obligated to do so, and refusing to provide material information to its members; (7) causing AREH to breach its fiduciary obligations and exposing it to liability; (7) making decisions that were harmful to AREH and investors for self-interested reasons; (8) failing

to make adequate disclosures to investors; (9) unlawfully attempting to terminate Chassen for self-interested reasons; (10) failing to obtain Chassen's consent prior to taking Major Decisions as defined in the JJ Arch Operating Agreement; (11) willfully causing AREH's properties to fail and go into default; (12) causing AREH to breach its fiduciary duties to its investors; (15) filing a bad-faith bankruptcy; and (16) grossly mismanaging AREH.

255. Simpson's breaches of fiduciary duty have damaged AREH.

256. The Court should enter a judgment against Simpson awarding AREH its damages, including consequential damages, in an amount to be determined at trial, but estimated to exceed \$1 million.

EIGHTH CAUSE OF ACTION
(Breach of fiduciary duty against Simpson-direct claim)

257. Chassen repeats each of the preceding allegations as if fully set forth herein.

258. Simpson, as the managing member of JJ Arch, owes Chassen fiduciary duties, including the duty of loyalty and good faith.

259. Simpson breached his fiduciary duties to Chassen, by among other things, (1) entering into the Amendment by coercion, duress, and undue influence; (2) engaging in abusive behavior; (3) utterly mismanaging JJ Arch and its properties for his own self-interest, (4) failing to maintain internal controls or accounting, (5) failing to devote his business time to JJ Arch; (6) issuing misleading disclosures; (6) refusing to provide books and records to Chassen even though obligated to do so, and refusing to provide material information to Chassen; (7) causing JJ Arch to breach its fiduciary obligations and exposing it to liability; (8) making decisions and taking actions that were harmful to Chassen for self-interested reasons; (9) failing to make adequate disclosures to Chassen (10) unlawfully attempting to terminate Chassen for self-interested reasons; (11) failing to obtain Chassen's consent prior to taking Major Decisions as defined in the JJ Arch

Operating Agreement; (12) willfully causing JJ Arch's properties to fail and go into default; (13) unlawfully paying his legal expenses without posting an undertaking to JJ Arch; (14) issuing a Fraudulent Capital Call to Chassen; (15) causing JJ Arch to breach its fiduciary duties to Chassen, AREH and its subsidiaries; (16) filing a bad-faith bankruptcy; (17) grossly mismanaging JJ Arch; and (18) causing a substantial diminution in the value of JJ Arch; and (19) misappropriating JJ Arch funds.

260. Simpson's breaches of fiduciary duty have damaged Chassen.

261. The Court should enter a judgment against Simpson awarding Chassen his damages, including consequential damages, in an amount to be determined at trial, but estimated to exceed \$1 million.

NINTH CAUSE OF ACTION
(Contractual Indemnification against Simpson-direct claim)

262. Chassen repeats each of the preceding allegations as if fully set forth herein.

263. 1640 Montauk, JJ 550, HPR LLC, and Borrower 1 are Investment Entities within the meaning of the JJ Arch Operating Agreement.

264. Under Section 3.5 of the JJ Arch LLC Operating Agreement, Simpson is obligated to indemnify Chassen "from and against any and all damages, liabilities, losses, costs and expenses, including, without limitation, reasonable attorneys' fees (collectively, "Damages"), actually incurred or suffered with respect to any amounts payable on account of a Guaranty . . . to the extent that such Damages are directly attributable" to Simpson "or affirmatively permitted by" him "and which action was not unanimously approved by the Members."

265. Any liability incurred by Chassen on the Guaranty is directly attributable to Simpson's actions or was affirmatively permitted by him without Chassen's approval.

266. Chassen has been damaged by Simpson's actions, including by being sued in this action under the Guaranty and being forced to incur attorney's fees in connection with his defense of this action.

267. Accordingly, Chassen is entitled a judgment against Simpson awarding Chassen "all damages, liabilities, losses, costs and expenses, including, without limitation, reasonable attorneys' fees" he has incurred and will incur in connection with his guaranties of these Investment Entities' mortgages.

TENTH CAUSE OF ACTION
(Declaratory Judgment-Direct Claim Against Simpson In the Alternative)

268. Chassen repeats each of the foregoing allegations as if fully set forth herein.

269. There is a justiciable controversy between Chassen and Simpson as to Simpson's obligations to Chassen with respect to the guaranties he executed in connection with Borrower 1, JJ 550, and 1640 Montauk and other Investment Entities.

270. Chassen signed the guaranties in his role as member of JJ Arch, which are subject to Section 3.5 of the JJ Arch LLC Operating Agreement.

271. Under Section 3.5 of the JJ Arch LLC Operating Agreement, even if Simpson did not directly cause Chassen's liability, Simpson is still obligated to reimburse Chassen for his "proportionate share of any amounts required to be paid on account of such Guaranty."

272. Accordingly, Chassen is entitled to a judgment declaring that Simpson must reimburse him for any amounts Chassen is forced to pay on all such guaranties that are over and above his proportionate share of distributions as provided in the JJ Arch LLC Operating Agreement.

273. Chassen lacks an adequate remedy at law.

ELEVENTH CAUSE OF ACTION

(Declaratory Judgment that the JJ Arch Amended Operating Agreement is void on grounds of unconscionability, lack of consideration, duress, and undue influence-direct claim)

274. Chassen repeats each of the preceding allegations as if fully set forth herein.

275. There is a justiciable controversy between Simpson and Chassen whether the Amendment is a valid and binding agreement or is void as the result of unconscionability, lack of consideration, and undue influence.

276. The Amendment by which Simpson purported to retain sole managerial authority after December 11, 2021 is void because it is unconscionable, was not supported by consideration, and is the product of undue influence.

277. Simpson was in a confidential relationship with Chassen, was Chassen's mentor, and held enormous power over him. Simpson took advantage of his relationship of trust with Chassen.

278. Despite Chassen vocalizing his disagreement, Simpson presented him with the Amendment on a take-it-or-leave-it basis, threatening him that he would remove him from the business entirely if he did not sign the Amendment.

279. Chassen signed the Amendment under undue pressure and threats. Simpson pressured Chassen not to hire his own counsel to review the Amendment and limited his involvement in calls Simpson took with the shared JJ Arch and Arch Entities' counsel David Heymann who Simpson had draft the amendment in his favor, while Heymann purported to represent both of them. Chassen was not disclosed Heymann's actual conflicts, and he did not execute any conflict waiver.

280. Because of their unequal bargaining power, prior relationship, Simpson's threats, and deceptive and coercive tactics, and the parties' confidential relationship, Chassen lacked

meaningful choice in entering into the Amendment, and it was procedurally unconscionable. And the Amendment itself was substantively unconscionable as it contained only favorable terms to Simpson.

281. The Amendment gave away Chassen's managerial rights as well as his membership percentage under the JJ Arch Operating Agreement for nothing of value and was unsupported by consideration. It is therefore void for lack of consideration.

282. The Amendment was the product of undue influence, including abuse and deception and is therefore void as the product of undue influence.

283. Further, given Chassen relationship of trust and confidence with Simpson, the burden is on Simpson to establish that he did not enter the Amendment by undue influence or coercion, which burden he cannot meet.

284. Chassen lacks an adequate remedy at law.

285. The Court should enter a judgment declaring that the Amendment is void and that under the JJ Arch Operating Agreement, Chassen is a managing member of JJ Arch.

TWELVTH CAUSE OF ACTION
(Declaratory judgment against Simpson-direct claim)

286. Chassen repeats each of the preceding allegations as if fully set forth herein.

287. There is a justiciable controversy between Simpson and Chassen whether Chassen properly terminated Simpson because of his misconduct, breaches of fiduciary duty, and failure to devote substantially all his business time to JJ Arch.

288. As alleged herein, Simpson has breached his fiduciary duties to Chassen, JJ Arch, AREH, and investors, and committed other cognizable wrongdoing, and these breaches and wrongdoing constitute Cause Events under the JJ Arch Operating Agreement, each warranting Simpson's resignation.

289. Chassen lacks an adequate remedy at law.

290. The Court should enter a judgment declaring that Chassen lawfully terminated Simpson, that Simpson is properly terminated, and that Simpson is no longer a member of JJ Arch.

THIRTEENTH CAUSE OF ACTION
(Permanent Injunction against Simpson-direct claim)

291. Chassen repeats each of the preceding allegations as if fully set forth herein.

292. Simpson has breached his fiduciary duties to Chassen, JJ Arch, AREH, and its subsidiaries and investors, and each of JJ Arch's Investment Entities.

293. These breaches, and Simpson's wrongdoing, constitute Cause Events under the JJ Arch Operating Agreement, each warranting Simpson's resignation.

294. Simpson has also breached the JJ Arch Operating Agreement by issuing the Fraudulent Capital Call and has used the Fraudulent Capital Call to loot JJ Arch of its assets.

295. Simpson has also recently claimed that he is "dissolving" JJ Arch unilaterally in derogation of court orders and the JJ Arch LLC Operating Agreement.

296. Absent injunctive relief, Simpson will continue to loot JJ Arch of its assets.

297. Chassen faces irreparable injury if Simpson continues to act as managing member or member of JJ Arch and loots JJ Arch of its assets, as JJ Arch will be destroyed and rendered insolvent without any ability of recovery.

298. Chassen lacks an adequate remedy at law.

299. The Court should enter a judgment permanently enjoining Simpson from acting as a member or managing member of JJ Arch, taking distributions from JJ Arch without Chassen's consent, relying on the Fraudulent Capital Call, paying his legal expenses from JJ Arch without an undertaking, or dissolving JJ Arch LLC without Chassen's consent or court approval.

FOURTEENTH CAUSE OF ACTION
(Permanent Injunction against Simpson-derivative claim on behalf of JJ Arch)

300. Chassen repeats each of the preceding allegations as if fully set forth herein.
301. Simpson has breached his fiduciary duties to Chassen, JJ Arch, AREH, and its subsidiaries and investors, and JJ Arch Investment Entities.
302. These breaches, and Simpson's wrongdoing, constitute Cause Events under the JJ Arch Operating Agreement, each warranting Simpson's resignation.
303. Simpson has also breached the JJ Arch Operating Agreement by issuing the Fraudulent Capital Call and has used the Fraudulent Capital Call to loot JJ Arch of its assets.
304. Absent injunctive relief, Simpson will continue to loot JJ Arch of its assets.
305. Chassen faces irreparable injury if Simpson continues to act as managing member or member of JJ Arch and loots JJ Arch of its assets, as JJ Arch will be destroyed and rendered insolvent without any ability of recovery.
306. Chassen lacks an adequate remedy at law.
307. The Court should enter a judgment permanently enjoining Simpson from acting as a member or managing member of JJ Arch, taking distributions from JJ Arch without Chassen's consent, relying on the Fraudulent Capital Call, or paying his legal expenses from JJ Arch without an undertaking.

FIFTEENTH CAUSE OF ACTION
(Breach of Contract against Simpson and Simco-direct claim)

308. Chassen repeats each of the preceding allegations as if fully set forth herein.
309. On August 1, 2023, Chassen entered the Contract with Simpson and Simco pursuant to which Simpson was to buy-out Chassen of certain shared properties owned by JJ Arch and in which Simpson acknowledged their joint control over Head of Pond.

310. Simpson promptly repudiated the Contract by declaring it terminated and refusing to proceed to finalize the loan by which he was to pay Chassen. He took all the monies from Head of Pond without Chassen's consent, stopped all rentals to deprive it of income, and has caused the HPR LLC to default on its mortgage.

311. Chassen was, and is, fully ready, willing, and able to perform the contract.

312. Chassen has been damaged by Simpson and Simco's anticipatory repudiation, purported termination, and failure to perform.

313. The Court should enter a judgment against Simpson and Simco awarding Chassen his damages, including consequential damages and pre-judgment interest, in an amount to be determined at trial, but estimated to exceed \$1 million dollars.

SIXTEENTH CAUSE OF ACTION
(Specific Performance against Simpson and Simco-direct claim)

314. Chassen repeats each of the preceding allegations as if fully set forth herein.

315. On August 1, 2023, Chassen entered the Contract with Simpson and Simco pursuant to which Simpson was to buy-out Chassen of certain shared properties owned by JJ Arch and in which Simpson acknowledged their joint control over Head of Pond.

316. Simpson promptly repudiated the contract by declaring it terminated and refusing to proceed to finalize the loan. He has also taken monies from Head of Pond without Chassen's consent and replaced the property manager without Chassen's consent.

317. Chassen was, and is, fully ready, willing, and able to perform the Contract.

318. Chassen has been damaged by Simpson and Simco's anticipatory repudiation, purported termination, and failure to perform.

319. Chassen lacks an adequate remedy at law.

320. The Court should enter a judgment against Simpson and Simco awarding Chassen specific performance of the Contract, including compelling Simpson to proceed with the loan or authorizing Chassen to do so on Simpson's behalf.

SEVENTEENTH CAUSE OF ACTION
(Declaratory Judgment against Simpson and Simco-direct claim)

321. Chassen repeats each of the preceding allegations as if fully set forth herein.

322. There is a justiciable controversy between Simpson and Chassen whether Simpson has unlawfully repudiated and terminated the Contract and is obligated to comply with it.

323. On August 1, 2023, Chassen entered the Contract with Simpson and Simco pursuant to which Simpson was to buy-out Chassen of certain shared properties owned by JJ Arch and in which Simpson acknowledged their joint control of HPR LLC.

324. Simpson promptly repudiated the contract by declaring it terminated and refusing to proceed to finalize the loan. He has also taken monies from Head of Pond without Chassen's consent and has effectuated the termination of the property manager without Chassen's consent.

325. Chassen was, and is, fully ready, willing, and able to perform the Contract.

326. Chassen lacks an adequate remedy at law.

327. The Court should enter a judgment declaring that Simpson and Simco materially breached the Contract and unlawfully repudiated it.

EIGHTEENTH CAUSE OF ACTION
(Declaratory Judgement against Simpson-direct claim in the alternative)

328. Chassen repeats each of the preceding allegations as if fully set forth herein.

329. There is a justiciable controversy between Simpson and Chassen whether Chassen is entitled to act as co-manager of HPR LLC together with Simpson.

330. On August 1, 2023, Chassen entered the Contract with Simpson and Simco pursuant to which Simpson acknowledged their joint managerial control of HPR LLC.

331. Simpson has since unlawfully renounced the Contract and has acted in derogation of Chassen's managerial rights in HPR LLC.

332. Chassen was, and is, fully ready, willing, and able to perform the Contract.

333. Chassen lacks an adequate remedy at law.

334. The Court should enter a judgment declaring that Chassen is entitled to co-managerial rights over HPR LLC pursuant to the Contract.

NINETEENTH CAUSE OF ACTION
(Declaratory Judgment against Simpson-direct claim)

335. Chassen repeats each of the preceding allegations as if fully set forth herein.

336. There is a justiciable controversy between Simpson and Chassen whether the Fraudulent Capital Call was ultra vires, fraudulent, and unlawful, and in violation of the JJ Arch Operating Agreement.

337. The Fraudulent Capital Call violates the JJ Arch Operating Agreement, is based on fabricated numbers, and is without legal effect. Simpson issued it in order to justify his looting of JJ Arch.

338. Chassen lacks an adequate remedy at law.

339. The Court should enter a judgment against Simpson declaring that the Fraudulent Capital Call is ultra vires, fraudulent, unlawful, and without legal effect.

TWENTIETH CAUSE OF ACTION
(Declaratory Judgment against Simpson-derivative claim on behalf of JJ Arch)

340. Chassen repeats each of the preceding allegations as if fully set forth herein.

341. There is a justiciable controversy between JJ Arch, Simpson, and Chassen whether the Fraudulent Capital Call was ultra vires, fraudulent, and unlawful, and in violation of the JJ Arch Operating Agreement.

342. The Fraudulent Capital Call violates the JJ Arch Operating Agreement, is based on fabricated numbers, and is without legal effect. Simpson issued it in order to justify his looting of JJ Arch.

343. JJ Arch lacks an adequate remedy at law.

344. The Court should enter a judgment against Simpson declaring that the Fraudulent Capital Call is ultra vires, fraudulent, unlawful, and without legal effect.

**TWENTY FIRST CAUSE OF ACTION
(Breach of Contract against Simpson-direct claim)**

345. Chassen repeats each of the preceding allegations as if fully set forth herein.

346. As detailed herein, Simpson has breached his contractual obligations under the JJ Arch Operating Agreement, including by failing to obtain Chassen's consent prior to Major Decisions, issuing the Fraudulent Capital Call, looting JJ Arch of assets, and paying his legal expenses without posting an undertaking.

347. Chassen has fully performed his contractual obligations and remains ready willing and able to do so.

348. Chassen has been damaged by Simpson's breaches of contract.

349. The Court should enter a judgment against Simpson awarding Chassen his damages, including consequential damages, in an amount to be determined at trial, but estimated to exceed \$1 million dollars.

TWENTY SECOND CAUSE OF ACTION
(Declaratory Judgment against Simpson-direct claim)

350. Chassen repeats each of the preceding allegations as if fully set forth herein.

351. There is a justiciable controversy between Simpson and Chassen whether Simpson has committed gross negligence and willful misconduct and whether he is entitled to indemnification of his legal expenses from JJ Arch.

352. Simpson has been using JJ Arch's funds to pay for his legal representation in this action.

353. Simpson is not entitled to indemnification from JJ Arch because he has committed gross negligence and willful misconduct.

354. The Court should enter a judgment declaring that Simpson's wrongdoing was committed with gross negligence or was willful and that he is not entitled to indemnification from JJ Arch of his legal expenses and authorizing that JJ Arch may collect upon any undertaking provided by Simpson and requiring that Simpson reimburse JJ Arch for all his legal expenses in this proceeding that are paid for by JJ Arch.

TWENTY THIRD CAUSE OF ACTION
(Declaratory Judgment against Simpson-derivative claim on behalf of JJ Arch)

355. Chassen repeats each of the preceding allegations as if fully set forth herein.

356. There is a justiciable controversy between JJ Arch, Simpson and Chassen whether Simpson has committed gross negligence and willful misconduct and whether he is entitled to indemnification of his legal expenses from JJ Arch.

357. Simpson has been using JJ Arch's funds to pay for his legal representation in this action.

358. Simpson is not entitled to indemnification from JJ Arch because he has committed gross negligence and willful misconduct.

359. The Court should enter a judgment declaring that Simpson's wrongdoing was committed with gross negligence or was willful and that he is not entitled to indemnification from JJ Arch of his legal expenses and authorizing that JJ Arch may collect upon any undertaking provided by Simpson and requiring that Simpson reimburse JJ Arch for all his legal expenses in this proceeding.

TWENTY FOURTH CAUSE OF ACTION
(Accounting-direct claim)

360. Chassen repeats each of the preceding allegations as if fully set forth herein.

361. As set forth above, Simpson has engaged in theft, diversion of funds, and breaches of fiduciary duty.

362. Despite due demand, Simpson has refused to provide Chassen with an accounting of JJ Arch, AREH, or the JJ Arch Controlled Entities.

363. Chassen lacks an adequate remedy at law.

364. Chassen is entitled to a judgement directing Simpson to account to Chassen for all financial accounts, distributions, withdrawals, and any other transactions in which Simpson engaged in connection with JJ Arch, AREH, 1640 Montauk, 1640 Motors, HPR LLC, 550 LLC, Borrower 1, Borrower 2, Borrower 3, and all assets in which Chassen has a financial interest with Simpson.

TWENTY FIFTH CAUSE OF ACTION
(Books and Records-direct claim)

365. Chassen repeats each of the preceding allegations as if fully set forth herein.

366. Pursuant to the New York LLC Law, as a member of JJ Arch, Chassen is entitled to inspect books and records.

367. The JJ Arch Operating Agreement also provides Chassen with the right to inspect books and records.

368. Chassen has repeatedly demanded access to JJ Arch's books and records.

369. Simpson has wrongfully refused to provide Chassen with access to books and records.

370. Chassen lacks an adequate remedy at law.

371. Chassen is entitled to a judgement directing that Simpson provide all books and records to Chassen in connection with JJ Arch, AREH, 1640 Montauk, 1640 Motors, HPR LLC, 550 LLC, Borrower 1, Borrower 2, Borrower 3, and all assets in which Chassen has a financial interest with Simpson.

CLAIMS FOR RELIEF

WHEREFORE, plaintiff demands judgment as follows:

(a) On the First Cause of Action, against Simpson awarding JJ Arch its damages, including consequential damages, in an amount to be determined a trial, but estimated to exceed \$1 million.

(b) On the Second Cause of Action, against Simpson awarding 225 HPR LLC its damages, including consequential damages, in an amount to be determined a trial, but estimated to exceed \$1 million.

(c) On the Third Cause of Action, against Simpson awarding 1640 Montauk LLC its damages, including consequential damages, in an amount to be determined a trial, but estimated to exceed \$1 million.

(d) On the Fourth Cause of Action, against Simpson awarding 1640 Motors LLC its damages, including consequential damages, in an amount to be determined a trial, but estimated to exceed \$1 million.

(e) On the Fifth Cause of Action, against Simpson awarding JJ NY 550 LLC its damages, including consequential damages, in an amount to be determined a trial, but estimated to exceed \$1 million.

(f) On the Sixth Cause of Action, against Simpson awarding 146 E. 89 Borrower 1 LLC its damages, including consequential damages, in an amount to be determined a trial, but estimated to exceed \$1 million.

(g) On the Seventh Cause of Action, against Simpson awarding AREH its damages, including consequential damages, in an amount to be determined a trial, but estimated to exceed \$1 million.

(h) On the Eighth Cause of Action, against Simpson awarding Chassen his damages, including consequential damages, in an amount to be determined a trial, but estimated to exceed \$1 million.

(i) On the Ninth Cause of Action, against Simpson awarding Chassen all damages, liabilities, losses, costs and expenses, including, without limitation, reasonable attorneys' fees he has incurred and will incur in connection with the guaranties he executed in connection with JJ Arch LLC and its Investment Entities, including any liability on such guaranties.

(j) On the Tenth Cause of Action, in the alternative, entering a judgment declaring that Simpson must reimburse Chassen for any amounts Chassen is forced to pay on any guaranties that are over and above Chassen's proportionate share as provided in the JJ Arch LLC Operating Agreement.

- (k) On the Eleventh Cause of Action, declaring that the Amendment is void and that under the Operating Agreement, Chassen is a managing member of JJ Arch.
- (l) On the Twelfth Cause of Action, declaring that Chassen lawfully terminated Simpson, that Simpson is properly terminated, and that Simpson is no longer a member of JJ
- (m) On the Thirteenth Cause of Action, permanently enjoining Simpson from acting as a member or managing member of JJ Arch, taking distributions from JJ Arch without Chassen's consent, relying on the Fraudulent Capital Call, or paying his legal expenses from JJ Arch without first posting an undertaking.
- (n) On the Fourteenth Cause of Action, permanently enjoining Simpson from acting as a member or managing member of JJ Arch, taking distributions from JJ Arch without Chassen's consent, relying on the Fraudulent Capital Call, or paying his legal expenses from JJ Arch without an undertaking.
- (o) On the Fifteenth Cause of Action, against Simpson and Simco, jointly and severally, and awarding Chassen his damages, including consequential damages and pre-judgment interest, in an amount to be determined at trial, but estimated to exceed \$1 million dollars.
- (p) On the Sixteenth Cause of Action, against Simpson and Simco awarding Chassen specific performance of the Contract, including compelling Simpson to proceed with the loan or authorizing Chassen to do so on Simpson's behalf.
- (q) On the Seventeenth Cause of Action, declaring that Simpson and Simco materially breached the Contract and unlawfully repudiated it.
- (r) On the Eighteenth Cause of Action, declaring that Chassen is entitled to co-managerial rights over HPR LLC pursuant to the Contract.

- (s) On the Nineteenth Cause of Action, declaring that the Capital Call Notice is ultra vires, fraudulent, unlawful, and without legal effect.
- (t) On the Twentieth Cause of Action, declaring that the Capital Call Notice is ultra vires, fraudulent, unlawful, and without legal effect.
- (u) On the Twenty First Cause of Action, against Simpson awarding Chassen his damages, including consequential damages, in an amount to be determined at trial, but estimated to exceed \$1 million dollars.
- (v) On the Twenty Second Cause of Action, declaring that Simpson's wrongdoing was committed with gross negligence or was willful and that he is not entitled to indemnification from JJ Arch of his legal expenses, and authorizing that JJ Arch may collect upon any undertaking provided by Simpson and requiring that Simpson reimburse JJ Arch for all his legal expenses in this proceeding.
- (w) On the Twenty Third Cause of Action, declaring that Simpson's wrongdoing was committed with gross negligence or was willful and that he is not entitled to indemnification from JJ Arch of his legal expenses, and authorizing that JJ Arch may collect upon any undertaking provided by Simpson and requiring that Simpson reimburse JJ Arch for all his legal expenses in this proceeding.
- (x) On the Twenty Fourth Cause of Action, directing Simpson to account to Chassen for all financial accounts, distributions, withdrawals, and any other transactions in which Simpson engaged in connection with JJ Arch, AREH, 1640 Montauk, 1640 Motors, HPR LLC, 550 LLC, Borrower 1, Borrower 2, Borrower 3, and all assets in which Chassen has a financial interest with Simpson.

- (y) On the Twenty Fifth Cause of Action, directing that Simpson provide all books and records to Chassen in connection with JJ Arch, AREH, 1640 Montauk, 1640 Motors, HPR LLC, 550 LLC, Borrower 1, Borrower 2, Borrower 3, and all assets in which Chassen has a financial interest with Simpson.
- (z) Awarding Plaintiff all costs and expenses incurred in this action, including, but not limited to, its reasonable attorneys' fees; and
- (aa) Granting such other and further relief as the Court deems just and proper.

Dated: New York, New York
November 25, 2024

SCHWARTZ LAW PLLC

By: /s/
Allen Schwartz, Esq.
150 Broadway, Suite 701
New York, New York 10038
allen@allenschwartzlaw.com

Counsel for Defendant Chassen

VERIFICATION

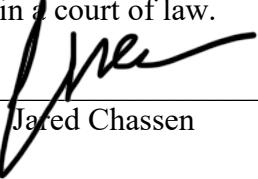
State of New York

County of Westchester

Jared Chassen, duly deposed, swears under penalty of perjury that I have reviewed the annexed answer and second amended counterclaims and affirm that the contents are true to the best of my knowledge, unless stated on information and belief, and those allegations I believe to be true.

I affirm this 25th day of November, 2024, under the penalties of perjury under the laws of New York, which may include a fine or imprisonment, that the foregoing is true, and I understand that this document may be filed in an action or proceeding in a court of law.

By:


Jared Chassen