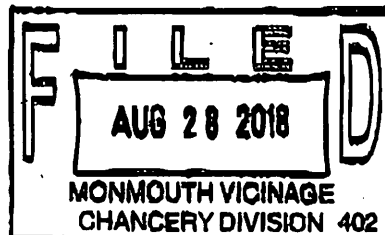


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SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION
GENERAL EQUITY
MONMOUTH COUNTY
DOCKET NO. MON-C- 135-18

GURBIR S. GREWAL,
Attorney General of New Jersey,
on behalf of
CHRISTOPHER W. GEROLD, Chief of the
New Jersey Bureau of Securities,

Plaintiff,

v.

SANDY J. MASSELLI, JR. a/k/a
JOHN SANDY MASSELLI;
JOSEPH L. PICCO;
INTERCAPITAL PARTNERS LTD;
INTERCAPITAL MANAGEMENT LTD;
INTERCAPITAL PARTNERS LLC; and
DUKE AND DUKE LLC,

Defendants,

and

CHARLENE T. MASSELLI a/k/a
CHARLENE T. DUNN;
and SUNSHINE TRUST 61 LLC,

Nominal Defendants.

Civil Action

COMPLAINT

Gurbir S. Grewal, Attorney General of New Jersey, on behalf of Christopher W. Gerold, Chief of the New Jersey Bureau of Securities ("Bureau Chief" or "Plaintiff"), alleges the following by way of Complaint against the above-named defendants and nominal defendants:

SUMMARY

1. Since at least 2012, defendants have engaged in a million dollar fraud built on the sale of securities to at least twenty-six New Jersey investors. Defendants sold investors common stock in Carlyle Gaming & Entertainment Ltd., an online gambling company, and its successor company, Carlyle Entertainment, Ltd. (collectively, the "Carlyle Companies").

2. Defendant Sandy J. Masselli, Jr. a/k/a John Sandy Masselli ("Masselli") instructed investors to direct their investment funds to Defendants Masselli, Intercapital Management Ltd., Intercapital Partners Ltd., Intercapital Partners LLC, and Duke and Duke LLC (collectively, the "Defendant Entities"). Masselli controlled the bank accounts held in the name of Defendant Entities that received investor funds. Instead of using the funds for the Carlyle Companies' proper corporate purposes, the Defendant Entities redirected investor funds to, or permitted the misuse of investor funds by, Masselli, who used over \$1 million of the investor funds for the personal benefit of himself and his family, including nominal defendant Charlene

T. Masselli.

3. As part of Masselli's and the Defendant Entities' scheme to enrich Masselli and his family at the expense of investors, both he and Joseph L. Picco ("Picco") repeatedly misrepresented to investors that the money they invested would be used for proper corporate purposes of the Carlyle Companies. Masselli also misrepresented his experience in the online gambling industry to paint a false picture of his purported success. What they omitted to disclose to the investors was that over \$1 million of the funds would instead be misappropriated by Masselli to fund a lavish personal lifestyle. Accordingly, the Bureau Chief brings this action to enjoin violations of the Securities Law, to obtain restitution for the defrauded investors and disgorgement of all defendants' ill-gotten gains, for penalties, and for such further relief as the Court deems proper.

JURISDICTION AND VENUE

4. The New Jersey Bureau of Securities (the "Bureau") is the state regulatory agency charged with the administration of the New Jersey Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83 (the "Securities Law").

5. Plaintiff brings this action pursuant to the Securities Law for violations of:

a. N.J.S.A. 49:3-52(b) (making materially false and

misleading statements or omitting facts necessary to make the statements not misleading); and

b. N.J.S.A. 49:3-52(c) (engaging in any act or practice which would act as a fraud or deceit upon any person in connection with the offer, sale, or purchase of securities).

6. Plaintiff also brings this action against nominal defendants Charlene T. Masselli and Sunshine 61 Trust LLC seeking restitution and disgorgement of all profits and funds gained through violations of the Securities Law.

7. Jurisdiction is proper over defendants and nominal defendants pursuant to N.J.S.A. 49:3-51, because each alleged violation of the Securities Law arises out of the offer and sale of securities in this state.

8. Venue is proper pursuant to R. 4:3-2(a) because it lies where the cause of action arose.

PARTIES

9. The Bureau Chief is the principal executive of the Bureau, with offices at 153 Halsey Street, Newark, New Jersey.

10. Defendant Masselli is an individual who, at all relevant times, resided in Middlesex County, New Jersey and Monmouth County, New Jersey. Masselli was registered as an agent with the Bureau between 1985 and 1992. He has not been registered in any capacity with the Bureau since that time.

11. Defendant Picco is an individual who, at all relevant times, resided in Colts Neck, New Jersey. Picco has never been registered with the Bureau in any capacity.

12. Defendant Intercapital Partners Ltd. ("Intercapital Ltd.") was a Delaware general corporation formed on August 4, 2011. Masselli was the owner and CEO of Intercapital Ltd. Intercapital Ltd. is no longer in good standing under the laws of the State of Delaware, having become inoperative and void on March 1, 2013 for non-payment of taxes.

13. Defendant Intercapital Management Ltd. ("Intercapital Management") was incorporated in New Jersey on September 11, 2006. Masselli is the owner and CEO of Intercapital Management.

14. Defendant Intercapital Partners LLC ("Intercapital LLC") is a New Jersey limited liability company formed on August 20, 2014. Masselli is the managing member of Intercapital LLC.

15. Intercapital Ltd., Intercapital Management, and Intercapital LLC are collectively referred to as the "Intercapital Entities."

16. Defendant Duke and Duke LLC is a New Jersey limited liability company formed on June 12, 2015. Masselli is its managing member.

Nominal Defendants

17. Nominal defendant Charlene T. Masselli (a/k/a Charlene T. Dunn) ("Dunn") is Masselli's wife and, at all relevant times,

resided in New Jersey.

18. Nominal defendant Sunshine 61 Trust LLC is a Delaware limited liability company that was formed on June 19, 2012. Sunshine 61 Trust LLC is no longer in existence and good standing under the laws of the State of Delaware, having been canceled on June 1, 2015 by reason of its neglect, refusal, or failure to pay its annual taxes. Masselli is its sole member.

Relevant Non-Parties

19. Carlyle Gaming & Entertainment Ltd. was initially incorporated in Colorado on January 4, 1988 under the name "Patent Pending, Inc." and, in or about October 1994, was renamed "Clean X-Press, Inc." On May 15, 2008, Clean X-Press, Inc. changed its name to Carlyle Gaming & Entertainment Ltd. ("Carlyle Gaming").

20. On July 7, 2012, Carlyle Gaming was reincorporated in Delaware.

21. According to filings with the U.S. Securities and Exchange Commission, Carlyle Gaming described its business as "owning and operating legal and licensed interactive software-based games of chance including sports wagering facilities which are offered as an online service accessible through the Internet in legal and licensed jurisdictions."

22. Masselli was the Chairman and Chief Executive Officer ("CEO") of Carlyle Gaming from May 2008 through January 1, 2015.

23. Effective January 1, 2015, Carlyle Gaming merged into HCORP Ventures, Ltd. a wholly-owned subsidiary of Carlyle Entertainment, Ltd. ("Carlyle Ltd."). Carlyle Ltd. is a Canadian company, initially incorporated in British Columbia as Azzardo Gaming Acquisition Corp. in 2013, and renamed Carlyle Entertainment Ltd. on December 18, 2014.

24. Masselli is and was at all relevant times the Chairman, CEO, and President of Carlyle Ltd.

25. According to its filings with Canadian securities regulators, Carlyle Ltd. holds itself out as the owner and operator of several Internet casino and gaming websites, including: www.betcarlyle.com and www.carlylegaming.com. Carlyle Ltd. describes its business in these filings as owning and maintaining "legal and licensed interactive software-based games of chance, focused on fully commercializing its online casino and sports book to become the premier interactive gaming and entertainment provider for regulated markets. "Until about April 28, 2017, the executive office of Carlyle Ltd. was located at 245 Park Avenue, New York, New York, when it announced that it would be moving its main offices to Charleston, South Carolina.

FACTS

A. The Offer and Sale of the Carlyle Gaming and Carlyle Ltd.

Stock

26. Beginning in or around July 2012 through at least

December 2017 (the "Relevant Period"), Masselli and Picco raised at least \$1.4 million from the sale of Carlyle Gaming and Carlyle Ltd. common stock (collectively, the "Carlyle Stock") to at least twenty-six New Jersey investors.

27. The Carlyle Stock is a security as defined under N.J.S.A. 49:3-49(m).

28. In connection with the offer and sale of the Carlyle Stock, Masselli and Picco falsely represented to investors that investor funds would be invested in the Carlyle Companies.

29. Masselli further falsely represented to at least one investor that his prior experience in the internet gambling industry included his ownership of an online gambling company which he had sold, from which Masselli purportedly earned at least \$90 million personally.

30. Investors purchased the Carlyle Stock pursuant to a Subscription Agreement which stated that investors would be provided with disclosure documents, including a prospectus, at or before the time their investments were made.

31. The Subscription Agreements for at least nineteen New Jersey investors were between the investor and the Carlyle Companies, and signed on behalf of the Carlyle Companies by a corporate officer.

32. Upon information and belief, investors were not provided with any of the disclosure documents set out in the

Subscription Agreement, either before or after they purchased the Carlyle Stock.

33. Many of the investors paid for the Carlyle Stock by checks payable or funds wired to bank accounts in the name of the Defendant Entities or to Masselli's personal bank accounts. Masselli and Picco instructed the investors into which accounts the payments would be made. All of these accounts, however, were controlled by Masselli himself.

B. Misuse of Investor Funds

34. Though investors were told or understood that their funds would be used for investment in the Carlyle Companies, they were not in fact used for that purpose. In reality, a majority of investor funds were never transferred to or spent for the benefit of the Carlyle Companies.

35. Rather, investors' funds totaling at least \$1.35 million were deposited into the following bank accounts:

- a. at least \$231,000 was deposited into the InterCapital Ltd. J.P. Morgan Chase account ending in 7902 (the "InterCapital Ltd. JPM Account");
- b. at least \$142,000 was deposited into the InterCapital Ltd. Wells Fargo account ending in 3099 (the "InterCapital Ltd. Wells Account");

- c. at least \$71,000 was deposited into the Intercapital LLC Columbia Bank account ending in 9050 (the "Intercapital LLC Columbia Account");
- d. at least \$842,500 was deposited into the Intercapital Management Wells Fargo account ending in 3202 (the "Intercapital Management Wells Account");
- e. at least \$50,000 was deposited into Masselli's personal account at USAA Federal Savings ending in 9807 (the "Masselli USAA Account");
- f. at least \$29,000 was deposited into the Duke and Duke LLC TD Bank account ending in 0352 (the "Duke and Duke Account I"); and
- g. at least \$31,000 was deposited into the Duke and Duke LLC TD Bank account ending in 4656 (the "Duke and Duke Account II").
- h. at least \$44,000 was deposited into an account in the name of Sandy John Masselli at Capital One ending in 6174 (the "Capital One Account").

36. None of these accounts were associated with the Carlyle Companies.

37. At least \$1.3 million of the above-listed investor funds held in the Defendant Entities' respective bank accounts were misused for the personal benefit of, and diverted to, Masselli and Picco, as well as the nominal defendants, as

follows:

- a. payment of at least \$145,000 for Masselli and Dunn's personal credit card bills;
- b. transfers of at least \$500,000 to the Masselli USAA Account from the Intercapital Management Wells Account, including a transfer of \$400,000 on September 6, 2012 and a transfer of \$100,000 on September 7, 2012;
- c. checks and wire transfers to law firms or attorneys unrelated to the business of the Carlyle Companies, totaling at least \$252,000, including a check for \$93,000 payable to a New Jersey law firm from the Intercapital Management Wells Account on September 6, 2012 for, upon information and belief, that firm's representation of Masselli in a criminal matter;
- d. checks totaling at least \$7,700 payable to Masselli;
- e. transfers to accounts owned by, or checks made payable to, nominal defendant Dunn totaling at least \$11,000;
- f. payments made by the Intercapital Entities totaling at least \$25,649 to automobile leasing or financing companies for vehicles used by Masselli;
- g. cash withdrawals, both by counter withdrawals and at ATMs, totaling at least \$70,000;
- h. checks made payable to "Cash" totaling at least

\$22,000;

- i. transfers and checks payable to Sunshine 61 Trust LLC totaling at least \$45,000;
- j. wire transfers of at least \$8,000 to accounts controlled by Picco;
- k. debit card purchases totaling at least \$68,000 at restaurants, clothing stores, hotels, and for other apparent personal expenses of Masselli; and
- l. payments for additional goods and services unrelated to the Carlyle Companies totaling at least \$144,000, including automobile insurance, online purchases via PayPal, and at least \$17,000 to George Washington University, for, upon information and belief, the college tuition of Masselli's son.

38. Masselli and Picco also omitted to disclose material information to investors in connection with the offer and sale of the Carlyle Stock including, but not limited to, the following:

- a. investors' funds would be diverted and used for the personal benefit of Masselli, Picco, and nominal defendants Dunn and Sunshine 61 Trust LLC;
- b. investors' funds would not be invested in, transferred to, or spent for the benefit of the Carlyle Companies;
- c. Masselli solely controlled the Intercapital Ltd. JPM

Account, Intercapital LLC Columbia Account, Intercapital Ltd. Wells Account, Capital One Account, the Duke and Duke Account I, and the Duke and Duke Account II in which investor monies were deposited; and

d. Masselli controlled the Intercapital Management Wells Account into which investor monies were deposited.

COUNT I

MAKING MATERIALLY FALSE AND MISLEADING STATEMENTS AND/OR OMITTING TO STATE MATERIAL FACTS NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING IN VIOLATION OF

N.J.S.A. 49:3-52(b)

(As to defendants Masselli and Picco)

39. Plaintiff repeats the allegations in the preceding paragraphs as if fully set forth herein.

40. Masselli and Picco made materially false and misleading statements and/or omitted to disclose material facts to investors in connection with the offer and sale of the Carlyle Stock.

a. Among the materially false and misleading statements Masselli made to investors was that Masselli had a long and successful track record in the online gambling industry, including his prior ownership and sale of another online gambling company for a profit in the tens of millions of dollars.

b. Masselli and Picco represented to investors that their funds would be invested in the Carlyle Companies; instead investor funds were diverted to and misused by one or more of the defendants and nominal defendants.

c. Among the facts defendants omitted to disclose to investors were that:

- i. the investors' funds would be diverted and used for the personal benefit of Masselli, Picco, and nominal defendant Dunn;
- ii. investors' funds would not be invested in, transferred to, or spent for the benefit of the Carlyle Companies; and
- iii. Masselli controlled the Intercapital Ltd. JPM Account, Intercapital LLC Columbia Account, Intercapital Ltd. Wells Account, the Duke and Duke Account I, and the Duke and Duke Account II in which certain investor monies were deposited.

41. Each omission of a material fact and each materially false or misleading statement is a violation of N.J.S.A. 49:3-52(b).

42. Each violation of N.J.S.A. 49:3-52(b) by Masselli and Picco with respect to each investor is a separate violation and is cause for imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

COUNT II

ENGAGING IN ANY ACT OR PRACTICE WHICH WOULD OPERATE AS A FRAUD
OR DECEIT UPON ANY PERSON IN CONNECTION WITH THE OFFER, SALE
OR PURCHASE OF SECURITIES IN VIOLATION OF N.J.S.A. 49:52(c)

(As to defendants Masselli, Picco, Intercapital Partners Ltd.,
Intercapital Management Ltd., Intercapital Partners LLC, and
Duke and Duke LLC)

43. Plaintiff repeats the allegations in the preceding paragraphs as if fully set forth herein.

44. Masselli and Picco engaged in acts, practices, and courses of conduct that operated as a fraud or deceit upon the investors in violation of N.J.S.A. 49:3-52(c) by, among other things:

- a. the offer and sale of Carlyle Stock through the use of false and misleading statements and omissions;
- b. offering and selling Carlyle Stock to raise money for the personal benefit of Masselli, Picco, and nominal defendants Dunn and Sunshine 61 Trust LLC.; and
- c. diverting investor funds to the personal benefit of Masselli, Picco, and the nominal defendants.

45. Defendants Intercapital Partners Ltd., Intercapital Management Ltd., Intercapital Partners LLC, and Duke and Duke LLC engaged in acts, practices, and courses of conduct that operated as a fraud or deceit upon the investors in violation of N.J.S.A. 49:3-52(c) by receiving investor funds intended for the Carlyle Companies' proper business purposes and instead allowing

the misuse of, or otherwise diverting, transferring, and/or permitting to be withdrawn, the same investor funds for uses other than the Carlyle Companies' proper business purposes.

46. Each violation of N.J.S.A. 49:3-52(c) by Masselli, Picco, Intercapital Partners Ltd., Intercapital Management Ltd., Intercapital Partners LLC, and Duke and Duke LLC is a separate violation and is cause for imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

COUNT III

UNJUST ENRICHMENT

(As to nominal defendants Dunn and Sunshine 61 Trust LLC)

47. Plaintiff repeats the allegations in the preceding paragraphs as if fully set forth herein.

48. Defendant Masselli transferred or caused to be transferred investor funds from the Intercapital Ltd. JPM Account, Intercapital LLC Columbia Account, Intercapital Ltd. Wells Account, Intercapital Management Wells Account, the Duke and Duke Account I, and the Duke and Duke II Account to nominal defendants Dunn and Sunshine 61 Trust LLC, both of whom were or may have been unjustly enriched with the Carlyle Companies' investor funds, to which they had no legal right.

49. As such, nominal defendants Dunn and Sunshine 61 Trust LLC were or may have been unjustly enriched at the expense of the Carlyle Companies' investors.

50. Each unauthorized transfer of Carlyle Companies' investor funds is cause for a judgment requiring disgorgement of the funds.

PRAYER FOR RELIEF

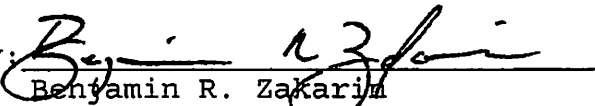
WHEREFORE, Plaintiff respectfully requests the entry of a judgment pursuant to N.J.S.A. 49:3-47 to -83:

- A. Finding that defendants Sandy J. Masselli, Jr., Joseph L. Picco, Intercapital Partners Ltd., Intercapital Management Ltd., Intercapital Partners LLC, and Duke and Duke LLC engaged in the acts and practices alleged above;
- B. Finding that such acts and practices constitute violations of the Securities Law;
- C. Permanently enjoining defendants from violating the Securities Law in any manner;
- D. Permanently enjoining the issuance, sale, offer for sale, purchase, offer to purchase, promotion, negotiation, solicitation, advertisement, or distribution from or within New Jersey of any securities, by or on behalf of defendants Sandy J. Masselli, Jr. or Joseph L. Picco and their employees, agents, brokers, partners, stockholders, attorneys, successors, subsidiaries, and affiliates;
- E. Permanently enjoining defendants Sandy J. Masselli,

Jr. and Joseph L. Picco from controlling and/or managing any issuer as that term is defined in N.J.S.A. 49:3-49(h);

- F. Assessing civil monetary penalties against defendants Sandy J. Masselli, Jr., Joseph L. Picco, Intercapital Partners Ltd., Intercapital Management Ltd., Intercapital Partners LLC, and Duke and Duke LLC for each violation of the Securities Law in accordance with N.J.S.A. 49:3-70.1;
- G. Requiring defendants Sandy J. Masselli, Jr., Joseph L. Picco, Intercapital Partners Ltd., Intercapital Management Ltd., Intercapital Partners LLC, and Duke and Duke LLC to pay restitution and to disgorge all profits or funds gained through violations of the Securities Law;
- H. Requiring nominal defendants Charlene T. Dunn and Sunshine 61 Trust LLC to disgorge all profits or funds gained, directly or indirectly, through violations of the Securities Law; and
- I. Affording Plaintiff any additional relief the Court may deem just and equitable.

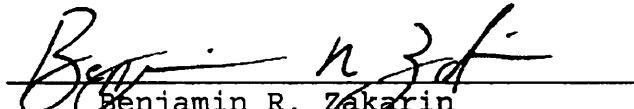
GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY

By: 
Benjamin R. Zakarin
Deputy Attorney General
Attorney ID No. 138852014

DATED: August 28, 2018

RULE 4:5-1 CERTIFICATION

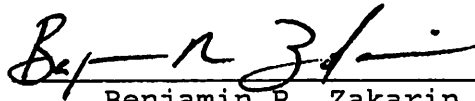
I certify, to the best of my information and belief, that the matter in controversy in this action involving the aforementioned violations of the Securities Law, is not the subject of any other action in any other court of this State. I further certify, to the best of my information and belief, that the matter in controversy in this action is not the subject of a pending arbitration proceeding in this State, nor is any other action or arbitration proceeding contemplated. I certify that there is no other party who should be joined in this action at this time.


Benjamin R. Zakarin
Deputy Attorney General
Attorney ID. No. 138852014

Dated: August 28, 2018
Newark, New Jersey

RULE 1:38-7(c) CERTIFICATION OF COMPLIANCE

I certify that confidential personal identifiers have been redacted from documents now submitted to the court, and will be redacted from all documents submitted in the future in accordance with Rule 1:38-7(b).



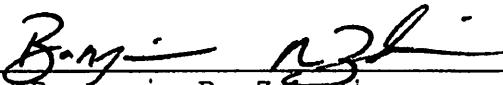
Benjamin R. Zakarin
Deputy Attorney General
Attorney ID. No. 138852014

Dated: August 28, 2018
Newark, New Jersey

DESIGNATION OF TRIAL COUNSEL

Pursuant to Rule 4:25-4, Deputy Attorney General Benjamin R. Zakarin is hereby designated as trial counsel for the Plaintiff in this action.

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for Plaintiff

By: 
Benjamin R. Zakarin
Deputy Attorney General
Attorney ID. No. 138852014

Dated: August 28, 2018
Newark, New Jersey