

fraudulent Ponzi scheme, from banks, financial institutions, and current investors.

2. While Hoffenberg was convicted as a result of his role in this Ponzi scheme, Epstein has remained an uncharged co-conspirator.² All the while, Epstein knowingly and intentionally utilized funds he fraudulently diverted and obtained from this massive Ponzi scheme for his own personal use to support a lavish lifestyle. All of Epstein's acts and omissions, as alleged herein, were in contravention to duties owed to TFC, Plaintiffs and the Class and in violation of the law.

3. Defendants have acquired consistent and unlawful profits at the expense of Plaintiffs and the Class by creating and operating a fraudulent Ponzi scheme, as described herein, and without disclosing their fraudulent activities. Noteholders and Bondholders, such as Plaintiffs and the Class, have remained unaware of these deceptive practices until the recent affidavit of Non-Party Affiant Hoffenberg.³

4. On information and belief, Defendants' deceptive practices date back to the mid-1980s, affect similarly-situated customers throughout the nation, and may have yielded hundreds of millions of dollars in unlawful profits to Defendants. Defendants' activities were the subject of a criminal investigation which led to the conviction of Non-Party Affiant Hoffenberg in the late 1990s and several related civil lawsuits within this judicial District.

5. Plaintiffs and other Class members could not reasonably have detected Defendants' deceptive, unlawful and unfair practices. While Plaintiffs and the Class realized the depth and breadth of the Ponzi scheme following Hoffenberg's conviction and the several related civil lawsuits, Defendants' involvement was purposefully concealed and not revealed until Hoffenberg's

² In *United States of America v. Steven Hoffenberg*, 94 Cr. 213 (RWS), 95 Cr. 321 (RWS), 1997 U.S. Dist. LEXIS 2394 (S.D.N.Y. Mar. 4, 1997), Judge Robert Sweet issued a Sentencing Opinion ("Sentencing Opinion") which lays bare the fraudulent conduct that resulted in Hoffenberg's conviction and which was imputed to Hoffenberg's co-conspirators. *See* Exhibit A.

³ *See* Exhibit B which is an affidavit from Hoffenberg detailing Defendants' deceptive practices.