



Jeff Gutchess of AXS Law Group. Courtesy photo

AXS Law Sues LZGI and Genius Group in \$30 Million Fraud Case

"We're going with a one-two punch, with the class action proceeding in New York and the derivative proceeding here in Miami," Gutchess explained.

October 11, 2024 at 04:22 PM

🕒 5 minute read

Class Actions



By Tommaso Baronio

What You Need to Know

- The plaintiff claimed that a fraudulent LGZI-GNS merger defrauded shareholders of \$30 million
- AXS filed a class action in the Southern District of New York and plans to file a derivative action in Miami on Monday
- AXS just launched another office in Washington, D.C

AXS Law, on behalf of shareholders of LZG International (LGZI), filed a federal class action in the Southern District of New York against LGZI, Michael Moe, and Peter Ritz, as well as Roger Hamilton and Genius Group (GNS).

Michael Moe is a director of LGZI and served as chairman of the board of directors of GNS until late September 2024. Ritz is the CEO and director of LGZI. Until late September 2024, he also held positions as director and chief revenue officer at GNS.

They did not respond to requests for comment, and no attorney has yet appeared on their behalf.

"Michael Moe and Peter Ritz used their publicly traded companies, LGZI and GNS, to defraud investors of more than \$30 million through a fraudulent LGZI-GNS merger that was designed to conceal their theft of

corporate funds and unauthorized issuances of millions of LGZI and GNS shares to themselves," the complaint alleged.

Ritz is the co-founder of FatBrain, an artificial intelligence solutions company. In 2021, Ritz and Moe executed a reverse merger of FatBrain into a public shell called LGZI, a Florida corporation, thereby making it a public company with reporting obligations. According to the complaint, "LGZI acquired the entirety of FatBrain's assets in exchange for a total of 90,000,000 shares of common stock, issued between October 2021 and May 2022."

The plaintiff claims LGZI had no accounting system until June 2022, and the first accountant hired reported that there was no accounting system or financial records in place.

"Instead, Ritz made sure that all funds, whether raised from investors or generated by the businesses they were acquiring, were deposited not into LGZI's bank accounts, but rather solely into the bank accounts of FatBrain, a company over whose bank accounts Ritz had exclusive control," the complaint alleges.

The plaintiff also claims that Ritz and Moe initiated a fraudulent acquisition scheme, buying companies in the AI field in an attempt to deceive investors and shareholders into believing LGZI was a legitimate enterprise. However, they failed to complete the deals, leaving the acquired companies to "die on the vine."

The only company Ritz acquired that generated revenue was Prime Source, a Kazakhstani business producing \$12 million in revenue at the time.

"And so, what he did was realize he had all these liabilities from LGZI. Its auditors actually quit because they were receiving false information and he had an obligation to report that. He didn't report it for about a year, so none of the investors knew the auditors were saying the company was reporting false financials," said Jeff Gutchess, AXS Law's founding

partner. "Then, to escape the mess he created—all these liabilities—he sold the company's only revenue-generating asset to a company called Genius Group, which is led by CEO Roger Hamilton."

At that point, Gutches claimed, Ritz and Moe issued themselves an additional 16 million shares. "That's where the \$30 million comes from—the additional shares they issued to themselves. But there's also, I think, around \$20 million that's just disappeared."

Roger Hamilton responded with a statement from Genius Group, saying, "This is solely an internal dispute between LGZI and its shareholders regarding the proper issuance of LGZI shares. The claims of LGZI investors against Genius Group and Roger Hamilton are frivolous, as neither Genius Group nor Mr. Hamilton is responsible for the issuance of LGZI shares or LGZI's alleged misrepresentations to its shareholders."

During the investigation, as the plaintiff raised these issues, Roger Hamilton launched his own internal investigation and agreed that significant wrongdoing had occurred, Gutches said. "There was a board fight between Hamilton, Moe, and Ritz, with each trying to oust the others. That's all in public filings. Now Hamilton has issued an SEC filing stating they've hired lawyers to investigate Ritz and Moe's wrongdoing, and will sue them if necessary to hold them accountable."

Gutches believes this case is critical to the market economy and he came up with a creative strategy to win. On Monday, he plans to file another class action on behalf of other shareholders, this time in Miami, focusing on the same breach of fiduciary duty issues.

"The basis for filing here is that LGZI was a Florida corporation, so this derivative lawsuit belongs in Florida. We're going with a one-two punch, with the class action proceeding in New York and the derivative proceeding here in Miami," Gutches said.

This is the second fraud class action lawsuit that AXS has filed in the Southern District of New York in the past two months. AXS is gaining

larger clients and expanding its operations.

"We're using techniques that traditional plaintiffs' and personal injury lawyers use—telling the story of the wrongdoing, getting it before a judge or jury, and securing big awards," Gutchess said. "We're avoiding the usual business litigation pitfalls, like lawyers fighting over documents and running up discovery costs, and that's been paying off."

Last year, AXS opened a new office in Los Angeles, and they've recently launched another in Washington, D.C., with partner Ed Gehres leading the D.C. office.

Read the Complaint:

Case 1:24-cv-07551-MKV Document 1 Filed 10/04/24 Page 1 of 40

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

SHAWN CAREY, MSS CAPITAL, LLC,
HUNTS ROAD, LLC, IONI LLC,
BRICKELL CAPITAL SOLO 401K TRUST,
KAILEY LEWIS, EDWARD REINLE,
EMANUEL VALADAKIS and ZITAH
MCMILLAN-WARD, individually and on
behalf of all others similarly situated,

Plaintiffs,

v.

MICHAEL MOE, PETER B. RITZ, LZG
INTERNATIONAL, INC., ROGER
HAMILTON, and GENIUS GROUP
LIMITED,

Defendants.

Case No.

CLASS ACTION COMPLAINT FOR
VIOLATION OF THE FEDERAL
SECURITIES LAWS

JURY TRIAL DEMANDED

CLASS ACTION

CLASS ACTION COMPLAINT

Defendants: Página 1 de 40
International Inc (C...

1 companies LZG
...investors of more than

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