

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

**BARRY J. BELMONT, PHILADELPHIA )  
FINANCIAL SERVICES, LLC, )  
THOMAS J. KELLY, JR., FRANCES R. )  
KELLY AND GARY O. PEREZ, )**

**Plaintiffs,**

**v.**

**MB INVESTMENT PARTNERS, INC., )  
CENTRE MB HOLDINGS, CENTRE )  
PARTNERS MANAGEMENT, LLC, )  
ROBERT M. MACHINIST, MARK )  
E. BLOOM, RONALD L. ALTMAN, )  
LESTER POLLACK, WILLIAM M. )  
TOMAI, GUILLAUME BÉBÉAR, )  
P. BENJAMIN GROSSCUP, THOMAS N. )  
BARR, CHRISTINE MUNN AND ROBERT A. )  
BERNHARD, )**

**Defendants.**

**CIVIL ACTION  
NO. 09-cv-4951**

**AMENDED COMPLAINT**

Plaintiffs Barry J. Belmont, Philadelphia Financial Services, LLC, Thomas J. Kelly, Frances R. Kelly and Gary O. Perez, for their Complaint against MB Investment Partners, Inc., Centre MB Holdings, LLC, Centre Partners Management, LLC, Robert M. Machinist, Mark E. Bloom, Ronald L. Altman, Lester Pollack, William M. Tomai, Guillaume Bébéar, Thomas N. Barr, Christine Munn and Robert A. Bernhard, allege as follows:

**JURISDICTION AND VENUE**

1. The Court has jurisdiction over this action pursuant to 28 U.S.C. § 1332(a)(1). There is complete diversity of citizenship between the Plaintiffs and the Defendants and the amount in controversy exceeds the sum of \$75,000, exclusive of interest and costs.

2. The Court also has jurisdiction over this action pursuant to 28 U.S.C. § 1331, 15 U.S.C. § 77u and 15 U.S.C. § 78aa, and the supplemental jurisdiction of the Court, 28 U.S.C. § 1367(a).

3. Venue is proper pursuant to 28 U.S.C. § 1391 in that a substantial part of the events giving rise to the claims at issue in this action occurred in this district.

### **PARTIES**

4. Plaintiff Barry J. Belmont resides in and is a citizen of the United States Virgin Islands. Mr. Belmont also maintains a residence at 620 College Avenue, Haverford, Pennsylvania to which he regularly travels and resides.

5. Plaintiffs Thomas J. Kelly, Jr. and Frances R. Kelly, husband and wife, reside in and are citizens of the Commonwealth of Pennsylvania.

6. Plaintiff Philadelphia Financial Services, LLC (“PFS”) is a Pennsylvania limited liability company, the sole member of which is John F. Wallace. PFS has its principal place of business in the Commonwealth of Pennsylvania. PFS is, among other things, a vehicle through which Mr. Wallace channels his personal investments and from which Mr. Wallace draws funds for his personal needs.

7. Plaintiff Gary O. Perez is a citizen of the State of Florida, residing there in the winter months, but maintaining a residence at 1291 Bobarn Drive, Penn Valley, Pennsylvania where he resides for the remainder of the year.

8. Defendant MB Investment Partners, Inc. (“MB”) is a corporation organized under the laws of the State of New York, with its principal place of business at 825 Third Avenue, 31st Floor, New York, New York 10022. MB is a registered investment advisor, and each of the plaintiffs entered into Investment Advisory Agreements with MB. At all relevant times, MB was

registered to do business in the Commonwealth of Pennsylvania and continues to be registered to do business in Pennsylvania through the date of this Amended Complaint..

9. Defendant Centre MB Holdings, LLC (“CMB”) is a limited liability company organized under the laws of the State of Delaware, with its principal place of business at 30 Rockefeller Plaza, 50th Floor, New York, NY 10020, and is engaged in business as a private equity firm. At all relevant times, CMB owned 57% of the capital stock of MB and controlled the operations of MB through a contractual operating agreement. CMB is denominated a control person on MB’s Form ADV filing with the Securities and Exchange Commission.

10. Defendant Centre Partners Management, LLC (“CPM”) is a limited liability company organized under the laws of the State of Delaware, with its principal place of business at 30 Rockefeller Plaza, 50th Floor, New York, NY 10020. At all relevant times, CPM owned 76% of Centre Pacific Holdings, LLC, the majority of CMB’s capital stock and shared common directors with MB who served to insure that CPM and CMB were able to influence and control the operations and policies of MB.

11. Defendant Robert M. Machinist resides in and is a citizen of the State of Connecticut. At all relevant times, Mr. Machinist was Chairman, Chief Operating Officer and co-managing partner of MB, a member of its board of directors and owned 14% of the capital stock of the majority shareholder of MB. MB touted Mr. Machinist in press statements as, together with Bloom, leading its management team. In fact, Mr. Machinist was senior to Mark Bloom in the MB corporate hierarchy.

12. Defendant Mark E. Bloom resides in and is a citizen of the State of New York. At all relevant times, Mark Bloom was President, co-managing partner, Chief Marketing Officer and a director of MB, and owned 14% of the capital stock of the majority shareholder of MB.

Mark Bloom was also the principal and sole member of North Hills Management, LLC (“NHM”), the General Partner of the North Hills, L.P. (“North Hills”). In addition, Mark Bloom has also been a third-party marketer for the Philadelphia Alternative Asset Management Company, LLC (“PAAMCo”), Chief Operating Officer and Managing Partner at Munn Bernhard & Associates, and a managing partner at BDO Seidman, LLP. From May 1992 to July 2001, Bloom was a partner of WG Trading Co., L.P., an affiliate of North Hills, responsible for marketing and client services.

13. Defendant Ronald L. Altman resides in and is a citizen of the State of New York. At all relevant times Mr. Altman was senior managing director, a partner and portfolio manager of the enhanced equity strategy at defendant MB. In his capacities at MB, Ronald Altman regularly provided investment advice to customers as a representative of MB and as an investment adviser in his own right.

14. Defendant Lester Pollack resides in and is a citizen of the State of New York. At all relevant times Mr. Pollack was Chairman of CPM, and a member of the board of directors of MB. Mr. Pollack is denominated a control person on MB’s Form ADV filing with the Securities and Exchange Commission.

15. Defendant William M. Tomai resides in and is a citizen of the State of New York. At all relevant times Mr. Tomai was Chief Administrative Officer and Chief Financial Officer of CPM and a member of the board of directors of MB. Mr. Tomai is denominated a control person on MB’s Form ADV filing with the Securities and Exchange Commission.

16. Defendant Guillaume Bébéar resides in and is a citizen of the State of New York. At all relevant times, Mr. Bébéar was both a Senior Director of CPM and a member of the board of directors of MB.

17. Defendant P. Benjamin Grosscup resides in and is a citizen of the State of New York. At all relevant times Mr. Grosscup was a partner, managing director and a member of the board of directors of MB. Mr. Grosscup was also a substantial investor in DOBI Medical International, Inc., in which North Hills and other MB insiders were investors.

18. Defendant Thomas N. Barr resides in and is a citizen of the State of New York. At all relevant times Mr. Barr was a partner, managing director and a member of the board of directors of MB. Mr. Barr was also a substantial investor in DOBI Medical International, Inc., in which North Hills and other MB insiders were investors.

19. Defendant Christine Munn resides in and is a citizen of the State of New York. At all relevant times Ms. Munn was a partner, managing director and a member of the board of directors of MB. Ms. Munn was also a substantial investor in DOBI Medical International, Inc., in which North Hills and other MB insiders were investors.

20. Defendant Robert A. Bernhard resides in and is a citizen of the State of New York. At all relevant times Mr. Bernhard was a partner and a member of the board of directors of MB. Mr. Bernhard was also a substantial investor, individually and through the Robert A. Bernhard Trust, in DOBI Medical International, Inc., in which North Hills and other MB insiders were investors.

**PLAINTIFFS' INVESTMENT ADVISORY AND  
SALES RELATIONSHIPS TO MB**

21. On or about June 13, 2006, defendant Mark E. Bloom met with plaintiff Barry Belmont at the Westin Hotel in Philadelphia, Pennsylvania to introduce himself and the investment advisory services of MB to Mr. Belmont. In introducing himself as a representative of MB, Mr. Bloom handed Mr. Belmont his MB business card. In the course of the meeting, Mr. Bloom described the conservative investment philosophy of the firm, stressing that its primary

focus was preservation of principal. Mr. Belmont agreed that these conservative investment objectives matched his personal investment preferences.

22. In the course of the meeting, defendant Bloom discussed a variety of possible investment vehicles that he recommended as suitable for plaintiff Belmont in keeping with these objectives, including investments in stocks, hedge funds and mutual funds. Defendant Bloom specifically referred to North Hills as an especially appropriate investment vehicle.

23. In the June 13, 2006 meeting, defendant Bloom touted the steady positive performance of North Hills since its inception: boasting annual returns of 10-15% without significant risk.

24. Defendant Bloom described North Hills as a fund of funds, generating consistently positive returns by investing in hedge funds and other well-managed funds, and factoring purchases for Costco.

25. Defendants Mark Bloom and Ronald Altman, a partner and portfolio manager of enhanced equity strategy of MB, prepared a proposed asset allocation dated July 12, 2006 on MB's letterhead illustrating their recommendation that 20% of the funds that Barry Belmont entrusted to MB be allocated to North Hills and presented it to Mr. Belmont.

26. A few weeks after the June 13, 2006 meeting, plaintiff Barry Belmont and John Wallace met with defendants Mark Bloom and Ronald Altman. Altman, who had responsibility for oversight and management of Belmont's investment portfolio, repeated Bloom's selling points for the North Hills investment, emphasizing that North Hills was a fund of funds and that it generated consistently positive returns of 10%-15% by investing in hedge funds and other well-managed funds, and factoring transactions for Costco. Like Bloom, Altman described the North Hills investment as conservative and without significant risk. Altman also added a new

detail that was persuasive to both Belmont and Wallace: that a reason to employ MB as an investment adviser was MB's unique access to investment vehicles such as North Hills that were not otherwise available outside of MB.

27. In December 2006, plaintiff Thomas Kelly and John Wallace met with defendants Robert M. Machinist and Mark Bloom to discuss setting an investment advisory relationship for Kelly with MB.

28. Plaintiffs Thomas and Frances Kelly, husband and wife, subsequently entered into an investment advisory agreement with MB by which MB became their investment advisor and by which they invested \$4.6 million with MB. Ronald Altman had responsibility for oversight and management of the Kelly's investment portfolio.

29. In the course of plaintiff Thomas Kelly's meetings with MB personnel as to Kelly's investments, in a meeting at MB's offices in New York, defendant Mark Bloom recommended that Thomas and Frances Kelly make an investment in North Hills, which Bloom described as a fund that made diversified, conservative investments (including investments in hedge funds), that it enjoyed consistently positive returns and that it was an MB-sponsored fund.

30. Throughout 2008, Mark Bloom solicited John Wallace in MB's offices and over the phone to make an investment in North Hills out of funds belonging to PFS, representing to Wallace that North Hills needed additional monies to be invested in North Hills in order to meet minimum investment size criteria for an investment that North Hills wished to make in an attractive investment vehicle. As he had with others, defendant Bloom described North Hills as a fund of funds, generating consistently positive returns without significant risk by investing in hedge funds and other well-managed funds, and factoring purchases for Costco.

31. In the fall of 2008, plaintiff Gary O. Perez telephoned Mark Bloom, whom Perez had met during lengthy litigation in Philadelphia, at Bloom's MB offices for investment advice with respect to uncommitted funds that Perez possessed. Defendant Bloom recommended placing Perez's money in North Hills, which Bloom described as conservatively-managed and generating consistently positive returns of 10-12%.

**THE DEPLETION OF NORTH HILLS' ASSETS FOR THE  
BENEFIT OF THE OWNER OF ITS GENERAL PARTNER**

32. In 1997, defendant Mark Bloom formed North Hills as an enhanced stock index fund based on the S&P 500, S&P 400 and Russell indexes.

33. Because of his ownership of North Hills' general partner, Mark Bloom exercised almost complete control over North Hills and its investments.

34. In conducting North Hills' operations, Mark Bloom completely disregarded any formalities distinguishing himself from NHM, North Hills and other hedge fund entities he ostensibly managed, commingling the funds and using them for his own purposes.

35. Mark Bloom engaged in continuous self-dealing with regard to the operations of North Hills. Aside from the North Hills' assets Bloom embezzled for his personal use, Bloom invested \$17 million of North Hills assets in the Philadelphia Alternative Asset Fund ("PAAF"). Bloom took this action not because he thought it to be a prudent investment for North Hills, but rather because he acted as a third-party marketer for the PAAF fund — without disclosing his conflict of interest — and personally received a lucrative commission from PAAF.

36. The PAAF fund, however, was the victim of a separate fraud. A federal court in Philadelphia has frozen its assets because its principal defrauded its investors. The proceeds of the PAAF settlement are subject to a receivership in federal court in Philadelphia. Bloom also misappropriated the settlement distributions the PAAF fund has made to date. This self-serving



investment in PAAF, along with Bloom's ravenous spending habits, left North Hills without any material assets by the time of plaintiffs' investments despite the fact that the monthly account statements provided to participants in North Hills had not shown a loss in over seven years.

37. PAAF was not the only financial scandal into which Bloom and NHM dragged North Hills. Around 2005, Bloom lost \$17 million of North Hills' funds in the Refco fraud. Refco, Inc. was the largest futures and commodities broker on the Chicago Mercantile Exchange. On October 10, 2005, Refco announced that its Chairman and CEO, Phillip R. Bennett, had hidden \$430 million in bad debts from Refco's auditors and investors.

38. Refco went bankrupt and Bennett was prosecuted for securities fraud and wire fraud. NHM is an unsecured creditor with as much as \$17,187,504 in claims. The unsecured creditors eventually received 26 cents on the dollar for what they were owed.

39. Defendant Mark Bloom never disclosed North Hills' investment in Refco or the Refco settlements to any plaintiff, and never allocated to them any of the proceeds from the Refco settlement.

40. In January 2008, two large investors (Alexander Dawson Foundation and Alexander Dawson, Inc.) in North Hills requested a full redemption of their investments. Because North Hills lacked sufficient assets to honor the redemption requests, it made only small distributions to the investors (\$500,000 to each) in March 2008.

41. In November 2008, when trustees of one of the redeeming investors threatened legal action, Mark Bloom's lawyer acknowledged to other investors that Bloom, through NHM, had taken money out of North Hills to acquire a luxury apartment in Manhattan.

42. In fact, Mark Bloom acquired multiple apartments on the Upper East and Upper West Sides of Manhattan, beach houses in the Hamptons, Florida and on the New Jersey shore,

and multiple luxury cars and luxury boats with the monies he purloined from North Hills. In perhaps his most ostentatious act of misconduct, Bloom and his wife, Lauren Bloom (“Mrs. Bloom”), purchased a home at 10 Gracie Square in Manhattan — a 6,200 square foot triplex with its own gymnasium — apparently using \$5.2 million dollars of fund assets. Bloom then transferred his interest in the apartment entirely to Mrs. Bloom for zero dollars. In turn, Mrs. Bloom sold the apartment for \$11.2 million, netting a lucrative return for herself and Bloom. The millions of dollars that Bloom embezzled are monies that belonged to the investors in North Hills.

43. Using the funds he misappropriated from North Hills, Mark Bloom also acquired a fleet of luxury automobiles, including a 2008 BMW 328i convertible, a 2008 Land Rover SUV, a 2007 Mercedes Benz S550 sedan, a 2006 Land Rover SUV, a 2005 Mercedes Benz E500 station wagon, a 2003 Mercedes Benz E320 station wagon, a 2003 BMW 325xi sedan, a 2002 Mercedes Benz G500 SUV and a 2002 Porsche 911 coupe. Bloom also acquired several luxury pleasure boats, including a 2005 33-foot Thunderbird, a 2002 24-foot Monterey, and a 2001 18-foot Monterey.

44. Throughout much of the period during which Mark Bloom managed North Hills, its business address was his extravagant 4,000 plus square foot, 27th-story penthouse in a Trump condominium building at 502 Park Avenue in Manhattan, valued at \$12.6 million.

45. Large portions of the monies Mark Bloom plundered from North Hills were also circulated to insiders of MB and/or Centre Partners or in investments that would benefit them.

For example:

(a) Mark Bloom purchased a 14% interest in Centre MB Holdings, LLC, the majority shareholder of MB's corporate parent, using \$900,000 of funds wrongfully taken from North Hills over the years 2004-2006;

(b) North Hills invested substantial sums in DOBI Medical International, Inc., an enterprise in which defendants Robert Machinist and other MB executives were invested, and in which Machinist was Chairman of the Board of Directors; and

(c) in February 2008 Mark Bloom repaid a \$300,000 loan from Michael Jamison, Managing Partner of MB, using funds wrongfully taken from North Hills.

46. Monies invested in North Hills by plaintiffs were also used to repay prior North Hills investors whose investments had been lost on account of the fraudulent activities of defendant Bloom.

47. On July 30, 2009, defendant Mark Bloom pleaded guilty to the counts of the Criminal Information filed against him by the United States Attorney, *inter alia*, as follows:

- diverting at least \$20 million from North Hills' operating account and converting same to his own use;
- using the amounts converted to renovate apartments and a home he owned, purchase hundreds of thousands of dollars of art and jewelry and spend hundreds of thousands more on parties, travel, personal services and clothing;
- misrepresenting and overstating the value of North Hills investors' capital accounts in monthly statements to them;
- soliciting funds from new North Hills investors in 2007 and 2008 in order to honor redemption requests from prior North Hills investors;

- misrepresenting the financial condition of North Hills until his arrest on February 25, 2009;
- committing fraud in connection with the sale of securities (15 U.S.C. §§ 78j(b), 78ff);
- committing mail and wire fraud with respect to funds invested with North Hills; and
- engaging in money laundering with respect to funds invested with North Hills.

**FAILURE TO SUPERVISE THE ACTIVITIES OF  
MARK BLOOM AND MB PERSONNEL**

48. As an investment adviser, MB owed fiduciary duties to its customers to put client interests first, act with the utmost good faith, provide full and fair disclosure of all material facts, not mislead customers and to expose all conflicts of interests to customers.

49. As an investment adviser, MB was required by the Investment Advisers Act, Rules thereunder and the Pennsylvania Securities Act to supervise its personnel so as to prevent violations of the Act. 15 U.S.C. § 80b-3(e)(6); Rule 204A-1, 17 C.F.R. § 275.204A-1; Rule 206(4)-7(a), 17 C.F.R. § 275.206(4)-7(a); 70 Pa. Stat. §§ 1-102(j), 1-305. Compliance activities are core operations of an investment adviser.

50. Mark Bloom made no attempt to conceal his sales of interests in North Hills in his investment adviser capacity at MB. To the contrary, interests in North Hills were openly sold through MB's personnel, under its name, in its offices, over its phones, on its letterhead and using its secretarial, mail and filing facilities and electronic equipment, including computers.

51. Likewise, the business of North Hills and NHM themselves was largely conducted on MB's premises by Mark Bloom, using MB's computers, its secretarial staff, its office equipment and its office supplies (including MB-labeled envelopes).

52. The defendant officers and directors of MB were fully aware that Mark Bloom was in control of North Hills while he was advising MB's customers on securities investments.

- Mark Bloom's position at NHM was expressly disclosed in the 2005 Prospectus of DOBI Medical International, Inc. in connection with North Hills' stock interest in that entity. Defendants Machinist, Grosscup, Barr, Bernhard and Munn were co-investors in that venture with full access to these disclosures. Defendant Machinist was even Chairman of DOBI's Board of Directors.

- Mr. Machinist was also familiar with Mark Bloom's control over North Hills from his interactions with Bloom in connection with the investments of North Hills and the MB Absolute Return Fund in PAAMCo and from Machinist's personal financial transactions with North Hills in 2004 and 2006.

- Michael Jamison, MB's compliance officer, received substantial sums (\$306,000) from NHM in 2008.

- North Hills subscribed to and became a limited partner in Centre Capital Investors IV, L.P., a limited partnership sponsored and managed by an affiliate of CMB and CPM and operated out of their offices at 30 Rockefeller Center.

53. CMB's portfolio investment in MB was undertaken to target and share in the then lucrative high net worth market place in which Mark Bloom was well known, and from which he had become one of MB's largest producers. Because of Mark Bloom's strategic importance to

the new venture, the officers and directors of MB engaged in virtually no oversight of Mark Bloom and turned a blind eye to his activities with NHM and North Hills.

54. In particular, MB, CMB, CPM and the defendant officers and directors failed to employ reasonable systems and controls that would have ensured that MB and its personnel placed the interests of customers first, that there was a reasonable basis for its and their investment advice, that investments conformed to customer objectives, that clients were treated fairly and that full and fair disclosures were made to customers regarding conflicts of interest.

55. Notwithstanding the intertwined operations of MB, CMB, CPM, North Hills and NHM, and the numerous red flags generated by Mark Bloom's lavish lifestyle, far in excess of what his income would allow, and his operation and sales of a proprietary private fund (North Hills) on MB's premises, MB's officers and directors never made any inquiry of him as to how he was able to accumulate and enjoy such an ostentatious level of wealth or whether the operation and sale of interests in Mark Bloom's private fund comported with MB's code of ethics.

56. MB and its personnel failed to conduct even the most minimal due diligence as to the operations and assets of North Hills in connection with MB's recommendations to its customers regarding the purchase of interests in North Hills.

57. Neither did the officers and directors of MB install and implement even the most basic compliance mechanisms and procedures employed throughout the investment advising industry to identify and prevent instances of fraud and self-dealing such as that in which Mark Bloom was engaged, including:

- maintenance of a list of the securities recommended and sold by Mark Bloom;

- development of a code of ethics as required by SEC Rule 204A-1, 17 C.F.R. § 275.204A-1 addressing, *inter alia*, conflicts of interests and proprietary funds and discussion of the code with its representatives such as Mark Bloom and Ronald Altman;
- training of representatives such as Mark Bloom and Ronald Altman as to conflicts of interest and fraud compliance;
- comprehensive compliance reviews and testing;
- conduct of internal audits;
- annual and periodic reviews of MB's compliance program and self-assessments of its compliance programs;
- identification of potential conflicts of interests, including funds such as North Hills that were controlled by a representative; and
- maintaining and regularly updating its regulatory compliance filings, including its form ADV.

58. MB failed to collect, verify and update information on private investment funds, including North Hills, sponsored or managed by its investment advisory representatives, including Mark Bloom, although MB was required by the Securities and Exchange Commission and standard practices of the investment adviser industry to maintain such information.

59. Although MB was aware of Mark Bloom's control of North Hills, MB failed ever to interview or even inquire of Mark Bloom as to North Hills and whether it was being sold to MB customers. No one at MB ever collected any information as to North Hills, monitored sales of interests in it to MB's customers or conducted any due diligence as to it.

60. Although required by SEC Rule 204A-1, 17 C.F.R. § 275.204A-1, MB failed to pre-approve or otherwise review Mark Bloom's participation in North Hills and NHM.

61. As portfolio manager of the investment portfolios of at least three of the plaintiffs, Ronald Altman had responsibility for oversight and management of these plaintiffs' investments, but Altman did not conduct any meaningful due diligence of the North Hills investment, did not inform compliance personnel at MB of the sales of North Hills interests to MB customers, did not include the North Hills investment on the lists of customer investments at MB or otherwise insure that the protections of MB's code of ethics and compliance procedures would extend to these investments.

62. The failure of defendant MB to employ and extend even the most minimal compliance mechanisms to Mark Bloom, especially in light of (i) his extravagant lifestyle, (ii) his disclosure of his control relationship to North Hills and (iii) his open use of MB's facilities and personnel to sell interests in that unapproved and administratively-ignored investment vehicle, all of which should have been red flags requiring heightened inquiry, or even to make inquiry of Bloom as to North Hills, constitutes severe and conscious reckless conduct and an extreme departure from the norms of the investment adviser community.

#### **PLAINTIFFS' INVESTMENT IN NORTH HILLS**

63. At the urging of defendants Mark Bloom and Ronald Altman and in reliance on their representations as to North Hills' operations and performance, plaintiffs made substantial investments in North Hills as follows:

- (a) Barry Belmont
- |                   |             |
|-------------------|-------------|
| July 17, 2006     | \$ 500,000  |
| December 27, 2006 | \$1,000,000 |



	August 3, 2007	\$1,000,000
	February 29, 2008	\$1,000,000
(b)	PFS	
	September 2, 2008	\$200,000
	November 7, 2008	\$250,000
(c)	Thomas and Frances Kelly	
	February 2, 2007	\$250,000
	June 6, 2007	\$125,000
(d)	Gary Perez	
	October 2, 2008	\$100,000

Plaintiffs' investments were made without knowledge of any fraud or self-dealing on behalf of Bloom, NHM or any other party.

64. Each of these investments was made through the offices of MB and its personnel. Indeed, Barry Belmont's February 29, 2008 investment was occasioned by the recommendation and subsequent directive of defendant Ronald Altman to sell Belmont's stock position (then placed by MB with Charles Schwab) because of uncertainty in the stock market and to invest the proceeds in the purportedly more secure North Hills.

65. In recommending and directing Belmont's investment to North Hills, defendant Ronald Altman acted recklessly and without regard for the interests of his customer in that he had conducted no due diligence as to the appropriateness of the investment, had no basis for his recommendation other than Bloom's self-interested representations and could not have entertained a genuine belief in the representation made by him. Ronald Altman also knew or should have known that the history of consistent positive returns he described to Barry Belmont

was implausible in light of market volatility and that it was a red flag requiring heightened inquiry by him.

66. John Wallace made his investment through his single-member limited liability company, PFS, anticipating that any gains would be available to him personally.

67. In making their investments in North Hills, each of the plaintiffs believed that MB either sponsored the fund or was intimately familiar with and recommended the investment. Both Mark Bloom and Ronald Altman were at all relevant times cloaked with actual or apparent authority to engage in these activities on behalf of MB, inasmuch as their actions with respect to the plaintiffs fell within the generally recognized duties of an investment adviser and plaintiffs reasonably believed that Bloom and Altman were at all times acting in their capacities as investment advisers at MB with respect to plaintiffs.

68. Each of the plaintiffs received from Bloom a copy of the Private Placement Memorandum (the "PPM"), which contained a description of the North Hills fund and a summary of the North Hills Limited Partnership Agreement (the "LPA"). Annexed to the PPM was a copy of the LPA subscription. The Private Placement memorandum stated the following with respect to the Fund's advantages:

The principal advantages of investing in the Fund are:

- The Fund's goal is for meaningful diversification of strategies and money managers whose performance will be independent of one another.
- The Fund's policy of seeking satisfactory returns while minimizing total risk.
- The judgment of the General Partner in assessing strategies and money managers and constructing a balanced mix of investment approaches.
- Access to strategies and managers, which due to

minimum investment requirements or other factors, might otherwise be inaccessible to other investors.

69. Relying on the PPM, each of the plaintiffs continued to invest in the North Hills Fund, inasmuch as MB's and Bloom's representations about their investment strategy for North Hills' assets were consistent with plaintiffs' goals of achieving moderate returns with limited risk.

70. For every month for which plaintiffs remained investors in North Hills until 2009, their account statements showed a positive result. Based on these statements, plaintiffs believed their investments to be stable and secure.

71. If plaintiffs had any knowledge that Bloom or NHM were self-dealing, giving loans to themselves, or otherwise utilizing funds for their personal benefit, they would have ceased making investments in North Hills and immediately withdrawn all of their capital.

#### **PLAINTIFFS' REQUESTS FOR REDEMPTIONS**

72. By summer 2008, plaintiff Belmont was concerned with the economic climate and attempted to redeem his investment in North Hills, but was informed by Mark Bloom that the North Hills partnership agreement permitted redemptions only at year end on 90 days notice.

73. Mark Bloom also discussed North Hills' operations with plaintiff Belmont and convinced him that because the fund was conservatively-managed, Belmont's investment was not at risk and he should withdraw his redemption request.

74. In reliance upon this discussion with Mark Bloom, Belmont withdrew his redemption request. Nonetheless, Mark Bloom agreed by letter on December 11, 2008 that plaintiff Belmont could redeem his investment at any time and receive a return of 90% of his investment within 30 to 60 days and the remainder within 180 days.

75. On January 9, 2009, plaintiff Belmont renewed his redemption request, but North Hills never repaid any of his investment.

76. Thomas Kelly withdrew \$25,000 from North Hills in December 2008, and telephoned Mark Bloom, after Bloom's arrest, to discuss whether he could recover any part of his investment. Mark Bloom promised Kelly a response but never provided one.

77. As a direct and proximate cause of the wrongful conduct alleged herein, plaintiffs have lost their North Hills investments, as well as taxes paid on the fabricated income falsely reported by the fund and the opportunity to make different investments and earn real returns thereon.

**COUNT I**  
**For Securities Fraud Against Bloom, Altman and MB**

78. Plaintiffs incorporate by reference paragraphs 1 through 77 above as if set forth fully herein.

79. Defendants Mark Bloom, Ronald Altman and MB engaged in a common plan, scheme and unlawful course of conduct in which they knowingly or recklessly engaged in acts, practices and courses of business that operated as a fraud and deceit upon the plaintiffs and made various deceptive and untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to the plaintiffs. The purpose and effect of the scheme was to induce the plaintiffs to purchase interests in North Hills.

80. Pursuant to their scheme, plan and unlawful course of conduct, defendants Mark Bloom, Ronald Altman and MB knowingly or recklessly issued, caused to be issued or participated in the preparation and issuance of deceptive and materially false and misleading statements to the plaintiffs.

81. In ignorance of the falsity and misleading nature of the statements made by defendants Bloom, Altman and MB, material information withheld by them and the deceptive and manipulative devices and contrivances employed by them, plaintiffs relied to their detriment on the statements and representations of these defendants in purchasing interests in North Hills.

82. By reason of the foregoing, defendants Mark Bloom, Ronald Altman and MB violated Section 10(b) of the Securities Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5 thereunder.

83. As a direct and proximate result of the defendants' wrongful conduct, plaintiffs suffered damages in connection with their acquisitions of limited partnership interests in North Hills.

**COUNT II**  
**For Violation of the Pennsylvania Unfair Trade Practices and**  
**Consumer Protection Law Against Bloom, Altman and MB**

84. Plaintiffs incorporate by reference paragraphs 1 through 83 above as if set forth fully herein.

85. The conduct described above took place within the Commonwealth of Pennsylvania and constitutes unfair or deceptive practices in violation of § 201-2 (xxi) of the Pennsylvania Unfair Trade Practices and Consumer Protection Law ("UTPCPL"), 73 Pa. C.S.A. § 201-1, et seq.

86. Plaintiffs were purchasers of investment advisory services from MB for personal purposes within the meaning of 73 Pa. C.S.A. §§ 201-9.2.

87. Defendants Mark Bloom, Ronald Altman and MB used and employed unfair or deceptive acts or practices within the meaning of 73 Pa. C.S.A. §§ 201-2 and 201-3. Such unfair or deceptive acts or practice include:

(a) false representations and material nondisclosures as to the financial condition of North Hills;

(b) false representations and material nondisclosures as to the investments made and use of funds by North Hills;

(c) false representations and material nondisclosures as to the performance of North Hills; and

(d) false representations and material nondisclosures as to the investment philosophy, operations and objectives of North Hills.

88. The misrepresentations, omissions, deceptions and unfair conduct of defendants Mark Bloom, Ronald Altman and MB were likely to deceive the plaintiffs and cause them to misunderstand the nature of the North Hills investment and the risks it entailed.

89. Defendants Mark Bloom, Ronald Altman and MB intended that the plaintiffs rely on their misrepresentations, omissions, deceptions and unfair conduct.

90. Plaintiffs have been damaged as a proximate result of the violations of the UTPCPL by misrepresentations, omissions, deceptions and unfair conduct by defendants Mark Bloom, Ronald Altman and MB.

91. As a direct and proximate result of the violations of UTPCPL by defendants Mark Bloom, Ronald Altman and MB, plaintiffs' investments in North Hills has been rendered worthless and they have suffered an ascertainable loss of money and are therefore entitled to relief, including damages, treble damages, costs and attorneys fees pursuant to 73 Pa. C.S.A. § 201-9.2.

**COUNT III**  
**For Controlling Person Liability Against Defendants**  
**CMB, CPM, Machinist, Pollack, Tomai, Bébéar,**  
**Grosscup, Munn, Barr and Bernhard**

92. Plaintiffs incorporate by reference paragraphs 1 through 91 above as if set forth fully herein.

93. Defendants CMB, Lester Pollack and William M. Tomai are owners, officers and directors of MB who exercise executive responsibility for the operations of MB and have been designated as control persons of MB on its Form ADV filed with the Securities and Exchange Commission.

94. Defendants Lester Pollack, William M. Tomai and Guillaume Bébéar are senior executives of CMB and its affiliates and were designated as members of MB's board of directors in order to exercise policy influence over the affairs of MB and thereby protect CPM's investment in MB.

95. Defendant Robert M. Machinist was Chairman, COO and co-managing partner of MB, a member of its board of directors and owned 14% of the capital stock of the majority shareholder of MB. Mr. Machinist, together with Bloom, led MB's management team that was responsible for the day-to-day operations of MB.

96. Defendants P. Benjamin Grosscup, Thomas N. Barr, Christine Munn, Robert A. Bernhard and Guillaume Bébéar are owners, officers and/or directors of MB who exercised executive responsibility for the operations of MB and are therefore presumed to possess the power, directly or indirectly, to direct the management and policies of MB. These defendants occupy positions the same or similar to defendants Lester Pollack and William M. Tomai whom MB identifies as control persons on its form ADV.

97. By virtue of the operating agreement CMB secured as a condition of CPM's investment in MB, defendant CMB was empowered to exercise day-to-day control over the policies, business and affairs of MB; monitoring, directing and enforcing the firm's operating policies and hiring and firing its personnel through its designees on the MB board of directors, Messrs. Pollack, Bébéar and Tomai.

98. As a consequence of their power, directly or indirectly, to direct the management and policies of MB, and the exercise of that power, defendants CMB, CPM, Pollack, Bébéar, Tomai, Grosscup, Barr, Munn and Bernhard are controlling persons within the meaning of Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a).

99. Defendants CMB, CPM, Machinist, Pollack, Tomai, Grosscup, Barr, Munn, Bernhard and Bébéar were under a stringent duty to supervise MB and the investment advisory employees of MB, including defendants Mark Bloom and Ronald Altman, but recklessly failed to conduct or create mechanisms to effect any meaningful supervision of such defendants. Indeed, MB failed even to conduct compliance interviews with Mark Bloom, inquire as to his activities, including North Hills, or to implement or explain to him MB's policies on conflicts of interest or its code of ethics.

100. Defendants CMB, CPM, Machinist, Pollack, Tomai, Grosscup, Barr, Munn, Bernhard and Bébéar knew or were reckless in not knowing that defendant Mark Bloom was involved in fraudulent conduct and self-dealing with regard to the sale and operations of North Hills and in ignoring red flags of defendant Mark Bloom's misconduct.

101. By virtue of their positions as controlling persons, defendants CMB, CPM, Machinist, Pollack, Tomai, Grosscup, Barr, Munn, Bernhard and Bébéar are liable to plaintiffs pursuant to Section 20(a) of the Exchange Act.



102. As a direct and proximate result of the wrongful conduct, plaintiffs suffered damages in connections with their acquisitions of limited partnership interests in North Hills.

**COUNT IV**  
**For Negligent Supervision By Officers and Directors**  
**Against Defendants Machinist, Pollack, Tomai,**  
**Grosscup, Munn, Barr, Bernhard and Bébéar**

103. Plaintiffs incorporate by reference paragraphs 1 through 102 above as if set forth fully herein.

104. As officers and/or directors of MB, defendants Lester Pollack, William M. Tomai, P. Benjamin Grosscup, Robert Machinist, Thomas N. Barr, Christine Munn, Robert A. Bernhard and Guillaume Bébéar had a responsibility to supervise the personnel of MB or create mechanisms that would reasonably protect customers from fraud and breaches of fiduciary duty by MB's investment advisory staff.

105. Defendants Lester Pollack, William M. Tomai, P. Benjamin Grosscup, Thomas N. Barr, Robert Machinist, Christine Munn, Robert A. Bernhard and Guillaume Bébéar were grossly negligent in failing to conduct or ensure even the most minimal supervision of key personnel such as Mark Bloom and Ronald Altman, recklessly failing to exercise oversight of them by compliance personnel, to have compliance personnel in place at MB, to conduct detailed interviews of Mark Bloom and Ronald Altman as to their outside activities or to require that information and reporting systems as to their activities, including outside activities, be implemented. Instead, these defendants turned a blind eye to the activities of defendants Bloom and Altman, although the activities were taking place on MB's premises and used its facilities.

106. Because the officers and directors of MB failed to exercise even ordinary prudence in ascertaining the activities of Mark Bloom and Ronald Altman, these defendants were able to recommend that investment advisory clients of MB make large investments in unaudited

funds, such as North Hills, as to which MB had conducted virtually no due diligence, and to recommend North Hills as an investment over more conservative, non-fraudulent investments that had been investigated and approved by knowledgeable institutions.

107. Because MB did not monitor or inquire about the activities of Mark Bloom and Ronald Altman, Bloom and Altman were able to recommend that investment advisory clients of MB make large investments in North Hills, as to which Mark Bloom stood to personally gain, over independent, non-fraudulent investment opportunities.

108. As a direct and proximate cause of the reckless and grossly negligent conduct of defendants Lester Pollack, William M. Tomai, P. Benjamin Grosscup, Thomas N. Barr, Robert Machinist, Christine Munn, Robert A. Bernhard and Guillaume Bébéar, plaintiffs suffered damages in connection with their acquisitions of limited partnership interests in North Hills, including the loss of their investments.

**COUNT IV**  
**For Breach of Fiduciary Duty Against Bloom, Altman and MB**

109. Plaintiffs incorporate by reference paragraphs 1 through 108 above as if set forth fully herein.

110. As investment advisors and representatives of an investment adviser, defendants Mark Bloom, Ronald Altman and MB were in a fiduciary relationship with the plaintiffs and owed them an affirmative duty of utmost good faith in order to avoid misleading them.

111. In addition, plaintiffs reposed their trust and confidence in the integrity and fidelity of defendants Mark Bloom, Ronald Altman and MB. These defendants acquired and abused this confidence.

112. Despite these fiduciary relationships, Mark Bloom orchestrated a scheme to defraud the plaintiffs with the assistance and cooperation of MB and Ronald Altman, who failed to make reasonable inquiry into the investments they were recommending and selling, despite the presence of red flags, and in connection with this scheme such defendants made numerous material misrepresentations and omissions to plaintiffs.

113. Ronald Altman was fully aware that Mark Bloom was in a control position at North Hills as he was present when Bloom described same to plaintiff Belmont, but notwithstanding his knowledge of this conflict of interest and his responsibility to monitor the investment portfolios of at least three of the plaintiffs, Altman did not inform compliance personnel at MB of the sales of North Hills interests to MB customers, include the North Hills investment on the lists of customer investments at MB or otherwise insure that the protections of MB's code of ethics would extend to these investments.

114. Defendants Mark Bloom, Ronald Altman and MB fraudulently omitted informing plaintiffs of, and actively concealed, *inter alia*, the following material facts:

- (a) that defendants Mark Bloom and Ronald Altman had overstated the performance and financial condition of North Hills;
- (b) that Bloom was misappropriating investor funds in North Hills for his personal use; and
- (c) that plaintiffs' investments in North Hills were being used to replenish and repay funds lost by prior investors.

115. Defendants Mark Bloom, Ronald Altman and MB, as fiduciaries of plaintiffs, were under a duty to disclose these facts to plaintiffs as soon as they became aware of them.

116. Defendants Ronald Altman and MB, as fiduciaries of plaintiffs, were under duties to exercise reasonable due diligence to insure that the representations made by them or on MB's behalf were truthful and complete and that the investments made by plaintiffs in North Hills were properly reported and had been subjected to the procedural and substantive scrutiny of other investments by MB's customers.

117. Plaintiffs would have ceased investing in North Hills and immediately withdrawn all of the capital invested in North Hills had they known the truth and that their investments had not been subjected to the procedural and substantive scrutiny of other investments by MB's customers.

118. As a direct and proximate cause of the breaches of fiduciary duty by defendants Bloom, Altman and MB, plaintiffs suffered damages in connection with their acquisitions of limited partnership interests in North Hills, including the loss of their investments.

WHEREFORE, plaintiffs Barry J. Belmont, Philadelphia Financial Services, LLC, Thomas J. Kelly, Frances R. Kelly and Gary O. Perez respectfully request judgment against the defendants awarding plaintiffs compensatory damages and treble damages, as appropriate, including interest (including prejudgment interest) thereon, an award for the costs of prosecuting this action, reasonable attorneys' fees, and other such relief as the Court may deem appropriate.

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Dated: March 30, 2010

*Attorneys for Plaintiffs*



**CERTIFICATE OF SERVICE**

I hereby certify that, on this 30th day of March, 2010, I caused a true and correct copy of the foregoing to be served upon the following by first-class mail:

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