

Approved: Kristy J. Greenberg
KRISTY J. GREENBERG
Assistant United States Attorney

18 MAG. 5026

Before: HONORABLE GABRIEL W. GORENSTEIN
United States Magistrate Judge
Southern District of New York

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	:	<u>SEALED COMPLAINT</u>
UNITED STATES OF AMERICA	:	
	:	Violations of
- v. -	:	18 U.S.C. §§ 1343, 1956(h) &
	:	2
	:	
WILLIAM McFARLAND,	:	COUNTY OF OFFENSE:
	:	NEW YORK
Defendant.	:	
	:	

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SOUTHERN DISTRICT OF NEW YORK, ss.:

BRANDON RACZ, being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation (the "FBI"), and charges as follows:

Count One
(Wire Fraud)

1. From at least in or about late 2017, up to and including at least in or about March 2018, in the Southern District of New York and elsewhere, WILLIAM McFARLAND, the defendant, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, transmitted and caused to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, McFARLAND engaged in a sham ticket-selling business for exclusive events through a company controlled and operated by McFARLAND ("NYC VIP Access") by, among other things, making false representations that NYC VIP Access had tickets for sale to special events in fashion, music and sports, and in connection therewith and in furtherance thereof, McFARLAND caused

wire communications and wire transfers of funds to be sent in interstate commerce.

(Title 18, United States Code, Sections 1343 & 2.)

Count Two
(Money Laundering)

2. From at least in or about late 2017, up to and including at least in or about March 2018, in the Southern District of New York and elsewhere, WILLIAM McFARLAND, the defendant, in an offense involving and affecting interstate and foreign commerce, knowing that the property involved in certain financial transactions, to wit, wire transfers, represented the proceeds of some form of unlawful activity, willfully and knowingly would and did conduct and attempt to conduct such financial transactions which in fact involved the proceeds of specified unlawful activity, to wit, proceeds of the offense charged in Count One of this Complaint, knowing that the transactions were designed in whole and in part to conceal and disguise the nature, the location, the source, the ownership and the control of the proceeds of specified unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(B).

(Title 18, United States Code, Section 1956(h).)

The bases for my knowledge and for the foregoing charge are, in part and among other things, as follows:

3. I am a Special Agent with the Federal Bureau of Investigation ("FBI"). I have been an FBI Special Agent for approximately three years and I am assigned to a White Collar Fraud squad within the New York Division. As part of my work at the FBI, I have received training regarding fraud and white collar crimes. I am familiar with the facts and circumstances set forth below from my personal participation in the investigation, including my examination of reports and records, interviews I have conducted, and conversations with other law enforcement officers and other individuals. Because this affidavit is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements and conversations of others are reported herein, they are reported in substance and in part, unless noted otherwise.

THE DEFENDANT AND HIS COMPANIES

4. At all relevant times, WILLIAM McFARLAND, the defendant, owned and operated a company, based in New York, New York, which purported to be in the business of obtaining and selling for profit, tickets to various exclusive events including fashion galas, music festivals, and sporting events ("NYC VIP Access"). As discussed below, McFARLAND took steps to make the company appear as if it was controlled and operated by other individuals.

5. From in or about 2014, up to and including in or about 2017, WILLIAM McFARLAND, the defendant, was the founder and Chief Executive Officer of Magnises, a credit card and private club for millennials that sold tickets to exclusive events.

6. From in or about 2016, up to and including in or about 2017, WILLIAM McFARLAND, the defendant, was the founder and Chief Executive Officer of Fyre Media LLC ("Fyre Media"). In 2016, McFARLAND started Fyre Media to build a digital app that would allow individuals organizing commercial events, such as concerts, to bid for artist and celebrity bookings at such events.

7. In late 2016, WILLIAM McFARLAND, the defendant, established a subsidiary of Fyre Media known as Fyre Festival LLC and began promoting a music festival set to take place over two weekends in April 2016 in the Bahamas (the "Fyre Festival"). McFARLAND promoted the Fyre Festival in part by claiming that it would bring a global audience together to share a life changing experience. Ultimately, the Fyre Festival was widely deemed to have been a failure.

8. On March 6, 2018, WILLIAM McFARLAND, the defendant, pled guilty to before the Honorable Naomi Reice Buchwald, United States District Judge, to: (1) wire fraud in violation of Title 18, United States Code, Section 1343, in connection with a scheme to defraud over 80 investors in Fyre Media and Fyre Festival LLC of over \$24 million in losses; and (2) wire fraud in violation of Title 18, United States Code Section 1343, in connection with a scheme to defraud a ticket vendor for the Fyre Festival of \$2 million in losses. United States v. William McFarland, 17 Cr. 600 (NRB). McFARLAND has been on pretrial release since July 1, 2017, and is currently awaiting sentencing in that case.

OVERVIEW OF THE SCHEME TO DEFRAUD AND LAUNDER MONEY

9. As set forth below, WILLIAM McFARLAND, the defendant, while on pretrial release, perpetrated a scheme to defraud attendees of the Fyre Festival and others by soliciting them to purchase tickets from NYC VIP Access to exclusive events when, in fact, no such tickets existed. In soliciting ticket sales, McFARLAND used an email account in the name of a then-employee ("Employee-1") in order to hide his affiliation with NYC VIP Access. McFARLAND provided prospective customers with contracts that falsely represented that NYC VIP Access had tickets to exclusive events in fashion, music and sports. In order to distance himself from the operation, McFARLAND directed that Employee-1 sign the contracts between NYC VIP Access and the customers. After McFARLAND induced customers to wire money for tickets, McFARLAND either did not provide tickets at all, or did not provide tickets as advertised. In an effort to conceal his ownership and control of the ticket sale proceeds, McFARLAND instructed and caused ticket sale proceeds to be sent to a bank account belonging to Employee-1, or a mobile payment service account belonging to another employee ("Employee-2").

McFARLAND'S MISREPRESENTATIONS TO VICTIM-CUSTOMERS

10. Based on my discussions with a former employee of NYC VIP Access ("Employee-1") and another law enforcement agent who interviewed Employee-1, as well as reviewing that agent's notes and documents provided by Employee-1, I have learned, in substance and in part, the following:

a. In or about fall 2017, WILLIAM McFARLAND, the defendant, told Employee-1 that his new company, NYC VIP Access, was going to be similar to his former company Magnises, which McFARLAND stated had shut down only due to the bad press surrounding the Fyre Festival that tarnished his reputation. McFARLAND said that he still had access to tickets for exclusive high-end events through event sponsors, and offered Employee-1 a job in ticket sales for NYC VIP Access. McFARLAND offered to pay Employee-1 a salary of approximately \$300/week and 10% commission for any ticket sales that Employee-1 made on behalf of NYC VIP Access. Employee-1 agreed to work for McFARLAND at NYC VIP Access.

b. McFARLAND provided Employee-1 with a list of potential customers and their phone numbers, as well as a script; McFARLAND instructed Employee-1 to cold call prospective

customers and follow McFARLAND's script in order to sell tickets to events.

c. McFARLAND corresponded with customers from an email account in Employee-1's name at NYC VIP Access (the "Employee-1 Email Account"). McFARLAND told Employee-1 that McFARLAND emailed former Magnises customers about ticket sales to NYC VIP Access events. Employee-1 did not send any emails to customers from the Employee-1 Email Account.

d. NYC VIP Access purported to sell tickets to the following events, among others: the 2018 Met Gala, Burning Man 2018, Coachella 2018, the 2018 Grammy Awards, Super Bowl LII, and a Cleveland Cavaliers game and team dinner with Lebron James. During Employee-1's employment at NYC VIP Access, Employee-1 believed that McFARLAND had tickets to sell to these events. Employee-1 is not aware of any tickets that were actually provided to customers other than two customers ("Victim-4" and "Victim-8") who attended the Grammy Awards, but did not receive the premium tickets they were promised.

e. McFARLAND set up an account with a payment processor ("Payment Processor-1"), and arranged for customer payments made by wire transfer or Payment Processor-1 to be deposited into Employee-1's bank account (the "Employee-1 Bank Account").

11. Based on my discussions with another law enforcement agent who interviewed Employee-2, as well as reviewing that agent's notes and documents provided by Employee-2, I have learned, in substance and in part, the following:

a. In or about fall 2017, Employee-1 introduced Employee-2 to WILLIAM McFARLAND, the defendant, and Employee-2 became McFARLAND's assistant. NYC VIP Access was McFARLAND's company; all NYC VIP Access employees took orders from McFARLAND. McFARLAND was responsible for procuring tickets.

b. McFARLAND asked Employee-2 to use the contact information of Fyre Festival attendees to create a spreadsheet of prospective customers for NYC VIP Access. Employee-2 identified the Fyre Festival attendees with the highest salaries as prospective NYC VIP Access customers. At McFARLAND's direction, Employee-1 would cold call prospective customers to solicit them to purchase tickets for events.

c. McFARLAND sent emails to customers from the Employee-1 Email Account. McFARLAND regularly read or showed the emails he was drafting to customers from the Employee-1 Email Account to Employee-1 and Employee-2 before he sent them. At McFARLAND's direction, Employee-2 sent executed contracts to customers from the Employee-1 Email Account, but did not email with customers for any other purpose. Employee-1 did not send any emails to customers.

d. During Employee-2's employment at NYC VIP Access, Employee-2 believed that McFARLAND had tickets to sell to the events he advertised. Employee-2 is not aware of any tickets that were actually provided to customers other than two customers who attended the Grammy Awards.

e. McFARLAND received customers' credit card information from the Employee-1 Email Account and processed credit card payments. McFARLAND also used an account with another payment processor ("Payment Processor-2") in Employee-2's name (the "Employee-2 Payment Processor-2 Account") to accept customer payments.

12. Based on my review of payments from customer-victims to the Employee-1 Bank Account through Payment Processor-1 and wire transfers, and the Employee-2 Payment Processor-2 Account, as well as interviews conducted by myself and/or another law enforcement agent with Employee-1, Employee-2 and approximately 15 victims, and review of their documents, I believe that in total, WILLIAM McFARLAND, the defendant, charged at least approximately \$100,000 in fraudulent tickets to at least approximately 15 customer-victims. Three examples of McFARLAND's fraudulent ticket sales scam are described in more detail below.

The 2018 Met Gala Ticket Scam

13. Based on my discussions with Employee-1 and another law enforcement agent who interviewed Employee-1 and Employee-2, as well as reviewing that's agent's notes and emails sent from the Employee-1 Email Account, I have learned, in substance and in part, the following:

a. On or about December 17, 2017, WILLIAM McFARLAND, the defendant, sent email solicitations from the Employee-1 Email Account to a mass email list of prospective customers regarding ticket sales to the 2018 Met Gala held on April 30, 2018. The email with the subject "2018 MET GALA - Red Carpet & Gala Tickets" read as follows:

You asked, and we are now excited to announce that we are offering tickets to the 2018 Met Gala - the biggest single night of celebrity, fashion, and entertainment. The 2018 Met Gala is on Monday, April 30 at The Met in NYC. We partnered with the sponsoring brands to get you a chance to buy tickets. Tickets include red carpet, seats for the event/dinner, and an invitation to the after-party. Tickets are extremely limited. Please respond with your brief bio and number of guests you'd like to have attend, and we'll follow up with a call.

The email ends with the first name of Employee-1 and Employee-1's phone number.

b. McFARLAND told Employee-1 that they would sell tickets to the dinner and red carpet access for \$2,500 per ticket. McFARLAND stated that customers needed to submit a biography, and McFARLAND would decide who to accept for tickets.

c. According to Employee-1, one customer ("Victim-1") wanted email confirmation of Victim-1's ticket purchase from the Met Gala. When Employee-1 told McFARLAND, McFARLAND indicated that the customer would get the confirmation. McFARLAND then told Employee-1 that there was an email from the host of the 2018 Met Gala (the "Gala Host") to the Employee-1 Email Account in which the Gala Host confirmed Victim-1's tickets to the 2018 Met Gala (the "Gala Host Email"). McFARLAND told Employee-1 to show Victim-1 the Gala Host Email in person, which Employee-1 did. At the time, Employee-1 believed that the Gala Host Email was real. According to both Employee-1 and Victim-1, Victim-1 questioned the authenticity of the Gala Host Email.

14. Based on my discussions with employees of an American mass media company responsible for hosting the 2018 Met Gala, I have learned, in substance and in part, the following:

a. The Met Gala is an annual exclusive event thrown by a prominent fashion magazine (the "Magazine") for approximately 600 invited guests. The Met Gala is typically sold out by December. The vast majority of tickets are sold by invite only, and if a brand purchases a table, all guests must be approved by the Magazine. All guests must provide a biography and a photo. All tickets must be paid for and are non-transferrable. No third party ticket brokers were authorized to sell tickets to the Met Gala.

b. None of the victim customers who purchased tickets from NYC VIP Access were on the guest list for the 2018 Met Gala.

c. The Gala Host did not send the Gala Host Email, which purportedly confirmed the purchase of the victim's tickets.

15. Based on my discussions with Employee-1 and another law enforcement agent who interviewed Employee-1 and Employee-2, as well as reviewing that agent's notes and documents provided by Employee-1 and Employee-2, as well as my discussions with approximately 15 victims and review of their documents, I have learned that none of the victims received tickets for the 2018 Met Gala, and that WILLIAM McFARLAND, the defendant, caused the victims to be charged a total of over approximately \$36,000 for fraudulent 2018 Met Gala tickets.

The Burning Man 2018 Ticket Scam

16. Based on my discussions with Employee-1 and another law enforcement agent who interviewed Employee-1 and Employee-2, as well as reviewing that agent's notes and emails sent from the Employee-1 Email Account, I have learned, in substance and in part, that on or about January 4, 2018, WILLIAM McFARLAND, the defendant, sent email solicitations from the Employee-1 Email Account to a mass email list of prospective customers regarding ticket sales to Burning Man 2018, an annual counterculture event in Nevada's Black Rock desert from August 26 through September 3. The email with the subject "Burning Man 2018 - \$325 - 24 Hours" read as follows:

We were going to save this, but the snow in NYC today has us thinking of the playa. We have 2018 Burning Man (8/26-9/3) passes today only for \$325 per person. Ticket prices go up to \$525 tomorrow until we sell our allocation. Email me to reserve. PS - We will be able to help with camp invitations, parking passes, and more closer to Burning Man. (*emphasis in original*)

The email ends with the first name of Employee-1 and Employee-1's phone number.

a. According to Employee-1, McFARLAND told Employee-1 that sponsors for Burning Man 2018 provided tickets to

the event. Employee-1 sold one ticket to Burning Man 2018 at McFARLAND's direction.

b. According to Employee-2, customers made payments to the Employee-2 Payment Processor-2 Account for Burning Man 2018.

17. Based on my discussions with another law enforcement agent who interviewed employees of Burning Man 2018 and reviewing that agent's notes, I have learned, in substance and in part, the following:

a. Burning Man does not work with ticket resellers or entities, so third party ticket brokers cannot purchase tickets. Burning Man does not have any sponsors or partnerships. Groups or individuals must register for a profile on the Burning Man ticketing system in order to purchase tickets. Tickets went on presale on or about January 31, 2018, and then went on sale on or about March 28, 2018, and may be exchanged among registered ticket holders with profiles.

b. There was no record of any ticket purchases or transfers to either of the two victims who purchased Burning Man 2018 tickets from NYC VIP Access, or any ticket orders that contain the name of NYC VIP Access.

18. Based on my discussions with another law enforcement agent who interviewed Employee-1 and Employee-2 and my review of that agent's notes and documents provided by Employee-1 and Employee-2, as well as my discussions with a victim and review of the victim's documents, I have learned that neither of the two victims received tickets for Burning Man 2018, and that WILLIAM McFARLAND, the defendant, caused the victims to be charged a total of \$1300 for fraudulent Burning Man 2018 tickets. The victims made the payments to NYC VIP Access at the Employee-2 Payment Processor-2 Account.

The 2018 Grammy Awards Ticket Scam

19. Based on my discussions with a customer ("Victim-9") and review of Victim-9's documents, I learned that Victim-9 received an email purporting to be from a NYC VIP Access employee (the "Fake Employee") at an email account (the "Fake Employee Email Account") offering two tickets located in the 100-level for \$1,800. On or about November 25, 2017, Victim-9 made a payment of \$1,800 through an online payment system from New York,

