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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

██████████ individually and on  
behalf of all others similarly situated,

Plaintiff,

v.

DANIEL S. LAIKIN; TIMOTHY S.  
DURHAM; PAUL SKJODT; ROBERT  
LEVY; JAMES P. JIMIRRO; DUNCAN  
MURRAY; JAMES TOLL; LORRAINE  
EVANOFF; and NATIONAL  
LAMPOON, INC.,

Defendants,

Case No.

**CV10 9292 PA (AGRx)**

CLASS ACTION

**COMPLAINT FOR  
VIOLATION OF THE  
FEDERAL SECURITIES  
LAWS**

**JURY TRIAL DEMANDED**

Plaintiff ██████████ ("Plaintiff"), individually and on behalf of all persons  
similarly situated, by his undersigned attorneys, alleges in this Complaint the  
following upon personal knowledge with respect to his own acts, and upon  
information and facts obtained through an investigation conducted by his counsel,  
which included, *inter alia*: (a) review and analysis of relevant filings made by  
National Lampoon, Inc. ("National Lampoon" or the "Company") with the United  
States Securities and Exchange Commission (the "SEC"); (b) review and analysis  
of Defendants' public documents, conference calls and press releases; (c) review

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1 and analysis of securities analysts' reports and advisories concerning the  
2 Company; (d) information readily obtainable on the Internet; and (e) interviews of  
3 several witnesses with personal knowledge of the relevant facts.  
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5 Attached hereto are exhibits 1 through 4, which include an indictment, a  
6 superseding information, an SEC complaint, and a plea agreement upon which the  
7 allegations of wrongdoing herein are based. Each of exhibits 1 through 4 are  
8 incorporated by reference into, and form a part of, the complaint.  
9

10 Plaintiff believes that further substantial evidentiary support will exist for  
11 the allegations set forth herein after a reasonable opportunity for discovery. Most  
12 of the facts supporting the allegations contained herein are known only to  
13 Defendants, or are exclusively within their control.  
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#### 16 **NATURE OF THE ACTION**

17 1. This is a federal securities class action on behalf of a class consisting  
18 of all persons and entities who are not Defendants, who purchased securities of  
19 National Lampoon between March 1, 2008 and December 15, 2008, inclusive (the  
20 "Class Period"), and who are seeking to recover damages caused by Defendants'  
21 violations of federal securities laws (the "Class").  
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#### 24 **JURISDICTION AND VENUE**

25 2. The claims asserted herein arise under and pursuant to Sections 10(b)  
26 and 20(a) of the Exchange Act (15 U.S.C. § 78j(b) and 78t(a)), and Rule 10b-5  
27 promulgated thereunder (17 C.F.R. § 240.10b-5).  
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1 games and live events; hosts approximately 60 internet websites through which it  
2 sells advertising and products; maintains a network of approximately 200  
3 affiliated college and other television stations; and develops material for the  
4 publication of books. National Lampoon is named as a defendant in the SEC  
5 Complaint. During the Class Period, its stock traded publicly on the  
6 AMEX/NYSE Alternext under the symbol "NLN."

9           8. Defendant Daniel S. Laikin ("Laikin") has been a director of the  
10 Company (or its predecessor) since January 13, 2000 and until December 17, 2008  
11 served as its Chief Executive Officer ("CEO") and President. Laikin served as the  
12 Company's Chief Operating Officer ("COO") from May 17, 2002 until February  
13 1, 2005, when he became the CEO. Until 2000, Laikin served along with  
14 Defendant Paul Skjodt as Co-Chairman of the Board of Directors of Biltmore  
15 Homes, Inc. ("Biltmore Homes"), an Indiana-based home building and real estate  
16 development company. He also served as Managing Partner of Four Leaf  
17 Partners, LLC, a closely held investment company that concentrates on the startup  
18 and financing of high-tech and internet-related companies. Laikin is a member of  
19 the Board of Directors of Obsidian Enterprises, Inc. ("Obsidian Enterprises"),  
20 which was a public company until March 17, 2006. In addition, Laikin is a  
21 financier and is, or has been, a shareholder of Red Rock Pictures Holdings, Inc.  
22 ("Red Rock"), a public company and business partner of National Lampoon in  
23 which the Company has held a substantial interest. He is also the founder and an  
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1 advisor of Studio Store Direct, Inc. (“Studio Store Direct”), a private company  
2 that Red Rock acquired in June 2008 while Defendant Robert Levy (“Levy”) was  
3 Red Rock’s Chairman and CEO.<sup>1</sup> As of October 15, 2008, Laikin beneficially  
4 owned 35.36% of the Company’s stock and, together with certain of the  
5 Individual Defendants, controlled a majority of such stock. As of that date, Laikin  
6 also beneficially owned 48.44% of the Company’s Series B Preferred Shares and  
7 49.78% of its Series C Preferred Shares. On September 23, 2009, Laikin pleaded  
8 guilty to conspiracy to commit securities fraud in a criminal case pending against  
9 him in the Eastern District of Pennsylvania. He is currently serving a 45 month  
10 prison sentence in the U.S. Bureau of Prisons, Taft Correctional Institution in Taft,  
11 CA.

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16 9. Defendant Timothy S. Durham (“Durham”) has been a director of  
17 the Company since May 2002 and, upon Laikin’s resignation as the Company’s  
18 CEO and President, was appointed to those positions. During the Class Period, he  
19 was the Chief Executive Officer and Chairman of the Board of Directors of  
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22  
23 <sup>1</sup> Other connections between National Lampoon, Red Rock, Studio Store Direct  
24 and their respective constituents and employees also exist. For example, Reno R.  
25 Rollé (“Rollé”), Red Rock’s President, CEO and a director, is Studio Store  
26 Direct’s CEO and was a founding principal of the National Lampoon Acquisition  
27 Group, LLC, an investment group that orchestrated the acquisition of J2  
28 Communications, Inc. (“J2 Communications”), which owned the National  
Lampoon brand name. In 2002, Rollé founded National Lampoon Home  
Entertainment to produce and distribute National Lampoon branded DVDs. In  
addition, Lorraine Evanoff (“Evanoff”), National Lampoon’s “Interim” Chief  
Financial Officer (“CFO”) since September 2007, has served as Red Rock’s CFO  
since January 4, 2008. From April 2005 to March 2006, she served as National  
Lampoon’s Vice President of Finance and Chief Accounting Officer and was a  
key participant in the Company’s 2005 secondary public offering and registration  
with the AMEX.

1 Obsidian Enterprises, which has listed National Lampoon as an “affiliate” on its  
2 website,<sup>2</sup> and he has held such positions since June 2001. Since April 2000, he  
3 has served as a Managing Member and the Chief Executive Officer of Obsidian  
4 Capital Company LLC, which is the general partner of Obsidian Capital Partners  
5 LP. Durham has also held an interest in Red Rock, a public company with which  
6 both Laikin and Levy have had, and continue to have, dealings. In 1998, Durham  
7 founded and has since maintained a controlling interest in several investment  
8 funds, including Durham Capital Corporation, Durham Hitchcock Whitesell and  
9 Company LLC, and Durham Whitesell Associates LLC. Durham was also a  
10 substantial investor in Brightpoint Inc. (“Brightpoint”), a public company that  
11 Laikin’s brother runs as Chairman and CEO and which yielded millions of dollars  
12 in profit for Durham and his constituents. Durham is the partner of Lampoon  
13 director Mr. Tornek in several business ventures, including at least two restaurants  
14 located in Miami, Florida, and an investment in a public company. As of October  
15 15, 2008, Durham beneficially owned 18.23% of the Company’s common stock,  
16 28.54% of its Series B Preferred Shares, and 35.41% of its Series C Preferred  
17 Shares. The Federal Bureau of Investigations (“FBI”) raided the offices of Fair  
18 Finance Co., another business owned by Durham, in November of 2009. Currently  
19 the FBI is investigating Durham and Fair Finance Co. in connection with  
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28 <sup>2</sup> See <http://www.obsidianenterprises.com/page2.php?section=nationallampoon>  
(visited on January 22, 2009).

1 investors' allegations that Durham used Fair Finance Co. to operate a \$200  
2 million ponzi scheme.

3  
4 10. Defendant Paul Skjodt ("Skjodt") served as a director of the  
5 Company from May 2002 until December 2008, when he resigned after the illegal  
6 scheme described herein came to light. He is actively involved in a variety of  
7 companies, including as Managing Member of Four Leaf & Associates, a venture  
8 capital fund that provides seed money to a host of technology companies. He is  
9 President of Oakfield Development, a land development company based in  
10 Indianapolis, Indiana, and owner of the Indiana Ice, an ice hockey team in the  
11 United States Hockey League. He served along with Laikin as Co-Chairman of  
12 Biltmore Homes, a company for which he also served as CEO. As of October 15,  
13 2008, Skjodt beneficially owned 8.25% of the Company's common stock and  
14 10.51% of its Series B Preferred Shares.  
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19 11. Defendant Levy has been a director of the Company since September  
20 13, 2006, the date of his appointment. From September 13, 2006 until June 6,  
21 2008, Levy served as the President and CEO of Red Rock and thereafter was  
22 appointed as the Chairman of its Board of Directors. He has also held an interest  
23 in Red Rock. Levy writes and produces motion pictures and is a principal partner  
24 in Tapestry Films. As of October 15, 2008, Levy beneficially owned 4.25% of the  
25 Company's common stock.  
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1           12. Defendant James P. Jimirro ("Jimirro") is the Company's Chairman  
2 of the Board and has been a director of the Company since 1986. He served as the  
3 Company's CEO and President from 1990 until January 2005. From 1980 to  
4 1985, Jimirro served as the President of Walt Disney Telecommunications  
5 Company ("Disney Telecommunications"), and as the Corporate Executive Vice  
6 President of Walt Disney Productions. In addition, from 1983 to 1985, he served  
7 as the first President of the Disney Channel, a national cable pay-television  
8 channel that he conceived of and implemented. Jimirro continued in a consulting  
9 capacity for The Walt Disney Company ("Disney") through July 1986, and served  
10 in various other executive positions from 1973 to 1980. Prior to 1973, he directed  
11 international sales for CBS, Inc. and later did the same for Viacom International.  
12 Jimirro also served as a member of the Board of Directors of Rentrak Corporation  
13 between January 1990 and September 2000. As of October 15, 2008, Jimirro  
14 beneficially owned 15.48% of the Company's common stock.

20           13. Defendant Duncan Murray ("Murray") has been a director of the  
21 Company since October 19, 2006. From 1998 until his retirement in 2004,  
22 Murray served as Vice President of Business and Legal Affairs for Transactional  
23 Marketing Partners, Inc., a direct response television consulting firm. From  
24 August 1986 through January 2003, Murray served as National Lampoon's Vice-  
25 President of Marketing, during which time he oversaw shareholder relations,  
26 published the final three issues of *National Lampoon Magazine*, and managed  
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1 negotiations with Artisan Entertainment for attachment of the Company's name to  
2 the feature film *National Lampoon's Van Wilder*. Prior to that period, Murray  
3 worked at Disney for 14 years in a variety of capacities, including as Vice  
4 President of Sales Administration for the Disney Channel, and Director of Sales  
5 for Disney Telecommunications.  
6

7  
8 14. Defendant James Toll ("Toll") has been a director of the Company  
9 since September 18, 2006. He initially joined J2 Communications as its CFO in  
10 1986, and continued in that position at National Lampoon until June 16, 2005.  
11 Toll served as head of operations for J2 Communications' video distribution, and  
12 was involved in all merger and acquisition activity, including J2 Communications'  
13 acquisition of National Lampoon.  
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16 15. Defendant Lorraine Evanoff, served as Chief Financial Officer of  
17 National Lampoon from September 2007 through the end of the Class Period.  
18 Ms. Evanoff had been Vice President of Finance and Chief Accounting Officer of  
19 the Company from April 2005 until March 2006. Evanoff as Chief Financial  
20 Officer knew of the payments to Barsky, who was a Company consultant.  
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23 16. Defendants Daniel S. Laikin, Timothy S. Durham, Paul Skjodt,  
24 Robert Levy, James P. Jimirro, Duncan Murray, James Toll and Lorraine Evanoff  
25 are referred to herein as the "Individual Defendants".  
26

27 17. Each of the Individual Defendants were aware of the payments to  
28 Barsky from the Company. Laikin as well as Barsky was a consultant to the

1 Company and was hired to prop the Company's stock price. The board of  
2 directors was required to approve the hiring of Barsky as a consultant to the  
3 Company.  
4

## 5 FACTUAL ALLEGATIONS

### 6 **The Illegal Stock Manipulation Scheme**

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8 18. Laikin, while CEO, President, and a director of the Company,  
9 masterminded and perpetrated an illegal scheme to manipulate the Company's  
10 stock price. The purpose of the scheme was to inflate the price of the Company's  
11 stock so that the Company a) could avoid removal from the American Stock  
12 Exchange ("AMEX," now known as the "NYSE Alternext," used  
13 interchangeably herein), for failure to meet the minimum price-per-share  
14 requirement; and b) could more easily and inexpensively acquire other  
15 companies and attract business partners.  
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19 19. In furtherance of the scheme, Laikin paid kickbacks, from at least  
20 March 2008 through late June 2008, to Dennis S. Barsky ("Barsky"), a Company  
21 consultant and significant stockholder, and to other conspirators, in exchange for  
22 their purchase of National Lampoon stock. The purpose of the conspirators'  
23 fraudulent purchases was to create the illusion of an active and liquid market in  
24 the Company's shares, which would in turn drive up the price, make the stock  
25 appear attractive and the company successful, and thereby induce the purchase of  
26 Company stock by unsuspecting investors at an unknowingly inflated price,  
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1 further supporting the inflated stock price.

2 **The Exposure of the Illegal Stock Manipulation Scheme**

3  
4 20. Laikin's scheme came to light only after the conclusion of a lengthy  
5 investigation conducted by the FBI, the United States Attorney's Office for the  
6 Eastern District of Pennsylvania (the "U.S. Attorney's Office"), and the United  
7 States Securities and Exchange Commission ("SEC"). First, on December 11,  
8 2008, the U.S. Attorney's Office filed an indictment ("the Indictment") and a  
9 superseding information (the "Information")<sup>3</sup> under seal in the U.S. District  
10 Court for the Eastern District of Pennsylvania (the "Eastern District"), charging  
11 Laikin and three other individuals with conspiracy, securities fraud, and aiding  
12 and abetting securities fraud in connection with an illegal scheme to artificially  
13 inflate the price of National Lampoon's stock. The individuals named as  
14 defendants in the Indictment are Laikin, Barsky, and Tim Dougherty  
15 ("Dougherty"), a stock promoter who is alleged to have utilized certain entities  
16 that he controls to facilitate the scheme. The individual named as a defendant in  
17 the Information is Eduardo Rodriguez ("Rodriguez"), a corrupt stock promoter  
18 who is alleged to have been involved in other securities fraud schemes.  
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28 <sup>3</sup> Copies of the Indictment and Information are annexed hereto as Exhibits 1 and 2, respectively, and their contents are incorporated by reference herein.

1           21.    Then, on December 15, 2008, the SEC filed a complaint (the “SEC  
2   Complaint”)<sup>4</sup> in the Eastern District against National Lampoon, Laikin, and the  
3   three other individuals named as defendants in the Indictment and Information.  
4   The SEC Complaint charges those defendants with violations of the federal  
5   securities laws and seeks various forms of injunctive and monetary relief,  
6   including, among other things, an order permanently enjoining the defendants  
7   from committing further securities law violations; disgorgement of any proceeds  
8   generated as a result of the scheme; the imposition of civil monetary penalties;  
9   and an order prohibiting Laikin from serving as an officer or director of a public  
10   company.  
11

12           22.    According to the U.S. Attorney’s Office and the SEC, the scheme  
13   was uncovered with the assistance of the FBI and the cooperation of a confidential  
14   witness who, unbeknownst to Laikin and the other perpetrators, was involved in  
15   the scheme at the request of the authorities. As detailed in the aforementioned  
16   criminal and civil filings, Laikin and Barsky actively perpetrated the scheme from  
17   at least March 2008 through June 2008. During that time they are alleged to have  
18   paid an aggregate of at least \$68,000 in kickbacks to Rodriguez, Dougherty and  
19   the confidential witness, who, in exchange, arranged and executed purchases of  
20   National Lampoon stock.  
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28           <sup>4</sup> A copy of the SEC Complaint is annexed hereto as Exhibit 3 and its content is  
incorporated by reference herein.

1           23. Additionally, Laikin is alleged to have shared confidential  
2 information about the Company with his co-conspirators to facilitate their  
3 purchases; the illicitly shared data include non-public financial information,  
4 shareholder lists, and corporate information prior to being issued publicly.  
5

6           24. Laikin and National Lampoon are also alleged to have made  
7 materially misleading statements “regarding the fair market value and trading  
8 range of the company’s stock” in a July 17, 2008 self-tender offer (the “Tender  
9 Offer”) because they failed to disclose the illegal scheme.<sup>5</sup> All told, the illicit  
10 scheme is believed to have resulted in the purchase of at least 87,500 shares of  
11 stock. Laikin admitted in his plea agreement that he intended for the scheme to  
12 cause a loss to investors of between \$2,500,000 and \$7,000,000.  
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16           25. Aside from directly profiting from their fraud as significant  
17 shareholders, Laikin and Barsky are alleged to have perpetrated the scheme “for  
18 the purpose of creating the appearance of an active and liquid market” with the  
19 intent of “inducing other investors to purchase stock, and ultimately increasing the  
20 stock’s trading price.” According to the SEC, Laikin disclosed to Rodriguez and  
21 the confidential witness that he and Barsky “sought to artificially push National  
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25 <sup>5</sup> According to the SEC Complaint, in connection with the Tender Offer “certain  
26 warrant holders were offered a two-year extension on the exercise date of their  
27 warrants [in exchange] for purchasing no less than ten percent of the common  
28 shares covered by their warrants. National Lampoon proposed this offer to raise  
cash for its operations and as part of its plan that it submitted to the AMEX to  
regain compliance with its continued listing standards.” In addition, “Laikin, and  
three other board members, together controlling a majority of the shares of  
National Lampoon, took advantage of this offer as well and exercised warrants.”

1 Lampoon's stock price from under \$2.00 a share to at least \$5.00 a share, to  
2 prevent the stock from being delisted for failure to comply with the AMEX's  
3 minimum listing requirements and to enable the Company to engage in "strategic  
4 transactions" and "acquisitions."<sup>6</sup>

6 26. To accomplish this objective, Laikin is alleged not only to have  
7 committed the misconduct described above, but is also alleged to have  
8 coordinated the release of news about the Company with the illegal stock  
9 purchases so as to create the illusion of an increase in interest in the stock and to  
10 make the purchases appear to be legitimate. Had Laikin's plan continued  
11 undetected, governmental authorities estimate that the value of his 40% ownership  
12 stake in the Company could have increased by up to \$15 million.<sup>7</sup>

16 27. On December 15, 2008, the U.S. Attorney's Office announced the  
17 unsealing of the Indictment and the Information, and the SEC announced the  
18 commencement of enforcement proceedings. Both organizations detailed the  
19 charges levied against Laikin and his accomplices – and, in the case of the SEC  
20 Complaint, against National Lampoon – arising out of the stock manipulation  
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23 <sup>6</sup> As noted herein, the Company's common stock was in danger of being delisted  
24 from the AMEX at or about the time that Laikin perpetrated the scheme.

25 <sup>7</sup> Laikin's plan succeeded at least in part. As disclosed in the 2008 Annual Report,  
26 on February 27, 2008, National Lampoon received a letter from the AMEX  
27 indicating that the Company did not meet the minimum listing requirements. On  
28 March 27, 2008, at the inception of Laikin's illegal stock manipulation scheme,  
the Company submitted a plan to achieve compliance with the minimum listing  
standards. On May 16, 2008, while the scheme was ongoing, the AMEX  
communicated its acceptance of the plan. Ultimately, the AMEX further extended  
the Company's deadline to regain compliance with the listing standards.

1 scheme. In addition, the SEC announced that it had suspended trading in National  
2 Lampoon's common stock, a measure that was initially supposed to last until  
3 December 29, 2008.<sup>8</sup>  
4

5 28. On December 16, 2008, the Company issued a press release  
6 acknowledging the charges and the suspension of trading in its shares. In the  
7 wake of these announcements, the news media picked up the story and reported  
8 that Laikin had been arrested as a result of his involvement in the scheme.  
9

10 29. On December 18, 2008, National Lampoon announced that Laikin  
11 had resigned as the Company's CEO and President (effective December 17,  
12 2008), and that the Board had appointed Durham to serve in those positions "on  
13 an interim basis." The Company also announced, however, that Laikin remained  
14 a member of the Board (a position he still holds). In addition, the Company  
15 indicated that the Board had formed a "Special Committee," comprised of  
16 Durham and Jimirro, to investigate the charges brought against Laikin and the  
17 Company.  
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21 30. On September 23, 2009, Laikin pleaded guilty to one charge of  
22 conspiracy to commit securities fraud in violation of 18 U.S.C. § 371, 15 U.S.C.  
23 §§ 78j(b) and 78ff, and 17 C.F.R. § 240.10b-5. A copy of Laikin's Guilty Plea  
24 Agreement is attached hereto as Exhibit 4. Laikin is awaiting sentencing.  
25  
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27

28 <sup>8</sup> The Company's stock closed at 73 cents per share on December 12, 2008, the last trading day prior to the SEC's suspension of trading.



1 2008 and 2007.”<sup>9</sup> In fact, as of July 31, 2008, the Company had an accumulated  
2 deficit of \$42,944,258.  
3

4 34. In an effort to improve its precarious financial situation, the  
5 Company set out to raise additional capital. Envit was one potential source of  
6 desperately needed funding.  
7

8 35. On October 30, 2008, Envit issued a press release announcing the  
9 formation of a strategic relationship with National Lampoon pursuant to which it  
10 had agreed to “fund a slate of approved selected projects with National Lampoon,  
11 including moderate budget feature films, P&A financing, video productions, and  
12 possible television development and production.”  
13

14 36. Less than two months later, Envit reversed course. On December 16,  
15 2008, one day after public disclosure of the scheme and the Company’s public  
16 acknowledgment of the criminal and civil charges, Envit issued a press release  
17 announcing that it had elected to dissolve its relationship with National Lampoon  
18 as a result of Laikin’s misconduct, and that it had declared “void” its agreement to  
19 fund certain of National Lampoon’s projects. As the press release makes clear,  
20 Envit’s decision to terminate its business relationship with National Lampoon  
21 stemmed solely from its desire to disassociate itself with Laikin:  
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26 \_\_\_\_\_  
27 <sup>9</sup> According to a press release that the Company issued on January 8, 2009, the  
28 Company inadvertently excluded this going concern qualification from its  
November 11, 2008 earnings release in violation of AMEX rules. This omission  
could have had the effect of misleading investors to believe that such qualification  
no longer applied.

1 Chairman and CEO Edward M. Laborio said today “We are sorry to  
2 hear about the unfortunate SEC investigation into National Lampoon  
3 stock price. I would just like to inform shareholders of ENVIT  
4 Capital that no transactions have taken place between National  
5 Lampoon and ENVIT Capital. The tentative agreement of ENVIT  
6 Capital to fund National Lampoon will now be void. We would also  
7 like to inform ENVIT Capital shareholders that the SEC investigation  
8 into National Lampoon does not involve ENVIT Capital.”  
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12 37. Thus, as a result of Laikin’s misconduct, National Lampoon lost the  
13 prospect of having Envit Capital fund future projects.  
14

15 38. On January 23, 2009, National Lampoon filed with the SEC a Notice  
16 of Removal from Listing on Form 25, effectuating the voluntary withdrawal of its  
17 shares from the AMEX.  
18

19 39. The Company’s ability to continue as a going concern appears to  
20 remain in jeopardy, and its shareholders continue to lose value as a result of the  
21 improprieties alleged herein, since, among other things, the Company’s shares no  
22 longer publicly trade on the AMEX.  
23

24 40. On December 15, 2008, the same day the U.S. Attorney announced  
25 the indictments and the SEC announced the filing of its civil complaint, the SEC  
26 suspended trading in Lampoon stock.  
27  
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1           41.    When trading resumed on February 5, 2009, Lampoon's stock price  
2 dropped from \$0.73/share, to \$0.50/share and then quickly to \$0.10/share in the  
3 following days. The stock continued to drop as additional fallout from the scandal  
4 caused business partners to cease doing business with the Company.  
5

6           42.    Following news of the scandal, the price of the Company's stock  
7 continued to drop until finally the Company withdrew its listing as a public  
8 company rendering the stock practically worthless for Class Members.  
9

10          43.    As set forth in the Guilty Plea Agreement, Laikin pleaded guilty to  
11 conspiracy to commit securities fraud. Laikin's guilty plea establishes that he  
12 acted with scienter when he committed the actions over which Plaintiff sues.  
13 Laikin's scienter may be imputed to the Company because Laikin executed the  
14 scheme for the benefit of the Company.  
15

16  
17                   ***Durham's Questionable Conduct***  
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19          44.    Durham, the acting CEO of National Lampoon, has been the  
20 chairman and secretary for CLST, Holdings ("CLST"), an investment company,  
21 since September 2009. Tornek, a current board member of National Lampoon, has  
22 been a board member of CLST Holdings since January 2009.  
23

24          45.    Durham is also the CEO of Fair Finance Co.  
25

26          46.    In November 2009, the FBI raided the office of Fair Finance Co., an  
27 investment company based in Akron, Ohio. The office has remained closed since  
28 the raid.

1 47. On November 30, 2009, CLST filed an 8K with the SEC stating in  
2 part:

3  
4 On November 24, 2009, the United States Attorney for the Southern  
5 District of Indiana filed a civil complaint (the "Civil Complaint") in  
6 federal district court in the Southern District of Indiana, Indianapolis  
7 Division, seeking seizure of assets and accounts held by Timothy  
8 Durham and certain of his affiliates, including Fair Finance Co.  
9 ("Fair"). At the same time, agents from the Federal Bureau of  
10 Investigation exercised a warrant and took documents and computers  
11 from Mr. Durham's offices, and those of two of his affiliates, Fair and  
12 Obsidian Enterprises. Mr. Durham is Chairman of our Board of  
13 Directors. The Civil Complaint alleges, among other things, that the  
14 assets and accounts sought to be seized are the product of wire fraud  
15 in violation of Title 18, United States Code, Sections 1345 and 1355.  
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20 48. Additionally, the November 30, 2009 8K states in part:

21 Also, on November 24, 2009, we received a subpoena from the  
22 Division of Enforcement of the Securities and Exchange Commission  
23 ("SEC") entitled "In Re Fair Finance." The subpoena requires us to  
24 produce a variety of documents relating to our portfolio transactions,  
25 including transactions with Fair, and also seeks documents relating to  
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28

1 several individuals, including our directors, Mr. Durham, Robert  
2 Kaiser, and David Tornek.

3  
4 49. In order to learn more about the information the government had on  
5 Durham and his companies, on December 17, 2009, Akron Beacon Journal and  
6 the Indianapolis Star commenced *In the Matter of the Search of Fair Finance,*  
7 *Fair Financial, Obsidian Enterprises and Timothy S. Durham*, Case No. 5:09-mc-  
8 00117-SL in the Northern District of Ohio by filing a motion to unseal search  
9 warrant documents. On January 4, 2010, additional movants, Indianapolis  
10 Business Journal and The Wall Street Journal, were including in the matter. The  
11 issue of potentially unsealing the search warrant documents is still pending.  
12  
13

14  
15 50. In the December 23, 2009 article “Indiana Political Donor Face Suits,  
16 Ponzi Probes” written by Bob Van Voris, and published on Bloomberg, “U.S.  
17 prosecutors said Durham falsely told investors that one of his companies, Fair  
18 Finance, Co., was selling certificates backed by low-risk, high-yield consumer  
19 debt.”  
20

21  
22 51. The civil complaint was dismissed on November 30, 2009. According  
23 to the aforementioned article, “prosecutors voluntarily withdrew the papers seeking  
24 to seize Durham’s assets, after they ‘became confident’ that the assets wouldn’t be  
25 transferred.”  
26

27 52. CLST filed an 8K with the SEC on June 29, 2010 discussing more  
28 legal troubles stating in part:

1 Ron Phillips and Scott Moorehead, as putative plaintiffs, filed a  
2 derivative lawsuit against Robert A. Kaiser, Timothy S. Durham, and  
3 David Tornek in the 298th District Court of Dallas County, Texas.  
4 The shareholder derivative petition (the "Petition") alleges that  
5 Messrs. Kaiser, Durham, and Tornek entered into self-dealing  
6 transactions at the expense of CLST Holdings, Inc. (the "Company")  
7 and its stockholders and violated their fiduciary duties of loyalty,  
8 independence, due care, good faith, and fair dealing.  
9  
10  
11

12 53. According to the February 8, 2010 article written by Tiffany Kary for  
13 Bloomberg:

14 Fair Finance's owner, Indiana businessman Timothy S. Durham, a  
15 Republican political contributor whose holdings include National  
16 Lampoon, Inc., has been targeted in lawsuits and investigations over  
17 claims he funded a luxurious lifestyle with the proceeds of a Ponzi  
18 scheme. The involuntary petition, filed by three creditors in  
19 bankruptcy court in Akron today, seeks for the company to enter into  
20 bankruptcy and appoint a trustee to oversee the return of funds.  
21  
22  
23

24 54. On August 3, 2010 the Indiana Business Journal reported the the  
25 Bankruptcy Trustee overseeing the liquidation of Fair Finance identified about  
26 \$54 million of improper loans to Durham. The trustee also said that Durham  
27 improperly spent \$2.8 million on gambling and at resorts, \$3.3 million on interior  
28

1 decorating, \$14 million on real estate and \$1 million spent on contributions, many  
2 of them to Indiana politicians. The FBI investigation of Durham is continuing.

3  
4 55. As described in the SEC Complaint, from at least March 2008  
5 through June 2008, Laikin and Barsky coordinated purchases of the Company's  
6 stock with the release of positive news and other events to "generate positive  
7 trading momentum." These purchases resulted in unusual trading volumes and  
8 accounted for an extraordinary percentage of the shares traded at any given time,  
9 all of which should have placed the Board on notice that an insider had engaged in  
10 market manipulation.  
11  
12

13 56. Moreover, Laikin controlled an overwhelming majority of the  
14 Company's shares through his substantial beneficial ownership and his control  
15 over other shareholders, including the members of the Board themselves. In fact,  
16 according to the SEC Complaint, Laikin acknowledged during a conversation with  
17 the confidential witness "that he controlled the public float of the stock and that  
18 there were less than one million shares for which he could not account." The SEC  
19 Complaint also alleges that Barsky, a Company consultant since August 2006,  
20 "controlled more than three million shares through a group of investors he  
21 advised." In addition, according to the Company's Form 10KSB, filed with the  
22 SEC on November 29, 2007 for the year ended July 31, 2007, Barsky received  
23 stock-based compensation in exchange for his services as a consultant. For  
24 example, during the year ended July 31, 2007, the Company issued 44,000 shares  
25  
26  
27  
28

1 of restricted common stock to him, worth a total of \$79,230. Given that the Board  
2 was aware of and most likely approved Barsky's consulting contract, these  
3 collective facts should have alerted the Board to the substantial likelihood that the  
4 unusual trading resulted from market manipulation, *most likely at the hands of*  
5  
6 *Laikin.*

7  
8 57. Consequently, although the members of the Board had a reasonable  
9 basis to believe that market manipulation had occurred, their failure to investigate  
10 or otherwise address the crime speaks to their scienter. The very same facts  
11 established a reasonable basis for the Board to believe that the offering documents  
12 associated with the Tender Offer contained omissions of material fact concerning  
13 the trading characteristics of National Lampoon stock, also giving rise to an  
14 inference of scienter.  
15  
16

17 58. As noted above, the illegal purchases at issue resulted in unusually  
18 high trading volumes that coincided with the release of positive news and other  
19 information. By failing to investigate whether any market manipulation had  
20 occurred as a result of this suspicious trading activity, the directors failed to  
21 adequately discharge their duties. Moreover, the Board's failure to ensure that  
22 management had proper protections in place to prevent the release of confidential  
23 information provided Laikin with the opportunity to commit securities fraud. This  
24 failure also resulted in the Company's disclosure of false and misleading  
25 statements in the Tender Offer. Further, to the extent that Laikin utilized  
26  
27  
28

1 Company or readily traceable funds to pay Barsky (a consultant), or others, in  
2 order to facilitate the stock manipulation scheme, the Board – and, in particular,  
3 the Audit Committee – should have confirmed that proper protocols were  
4 followed.  
5

### 6 7 **PLAINTIFF'S RELIANCE**

8 59. Plaintiff need not demonstrate reliance in order to prevail on the  
9 claims arising out of Defendants' deliberate scheme to manipulate the price of  
10 National Lampoon's stock. *See* Count I *infra*.  
11

#### 12 **Applicability of *Affiliated Ute* Presumption of Reliance**

13  
14 60. In order to prevail on the claims arising out of Defendants' material  
15 omissions of fact, *see* Count II *infra*, Plaintiff need not prove reliance either  
16 individually or as a class because under the circumstances giving rise to this  
17 claim, which primarily involve a failure to disclose, positive proof of reliance is  
18 not a prerequisite to recovery. *Affiliated Ute Citizens of Utah v. United States*, 406  
19 U.S. 128; 92 S. Ct. 1456; 31 L. Ed. 2d 741; 1972 U.S. LEXIS 163; Fed. Sec.  
20 (1972). All that is necessary for the presumption of reliance to attach is that the  
21 facts withheld be material in the sense that a reasonable investor might have  
22 considered them important in the making of his decision.  
23  
24  
25  
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1           61. Because Laikin and the Company were trading in the Company's  
2 stock, they had a duty to disclose to investors that Laikin was creating an artificial  
3 market price for Lampoon stock.  
4

5                           **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

6           62. Plaintiff brings this action as a class action pursuant to Federal Rule  
7 of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons  
8 who purchased the stock of National Lampoon during the Class Period, and who  
9 were damaged thereby. Excluded from the Class are Defendants, the officers and  
10 directors of the Company at all relevant times, members of their immediate  
11 families, their legal representatives, heirs, successors or assigns, and any entity in  
12 which Defendants have or had a controlling interest.  
13  
14  
15

16           63. The members of the Class are so numerous that joinder of all  
17 members is impracticable. Throughout the Class Period, National Lampoon's  
18 securities were actively traded on the AMEX. While the exact number of Class  
19 members is unknown to Plaintiff at this time and can only be ascertained through  
20 appropriate discovery, Plaintiff believes that there are at least hundreds of  
21 members in the proposed Class. According to the Company's Annual Report filed  
22 with the SEC on February 29, 2008, the Company had approximately 9,456,427  
23 shares outstanding as of December 31, 2007. Members of the Class may be  
24 identified from records maintained by National Lampoon or its transfer agent and  
25  
26  
27  
28

1 may be notified of the pendency of this action by mail, using a form of notice  
2 customarily used in securities class actions.

3  
4 64. Plaintiff's claims are typical of the claims of the members of the  
5 Class, as all members of the Class are similarly affected by Defendants' wrongful  
6 conduct in violation of federal law that is complained of herein.

7  
8 65. Plaintiff will fairly and adequately protect the interests of the  
9 members of the Class and has retained counsel competent and experienced in class  
10 and securities litigation.

11  
12 66. Common questions of law and fact exist as to all members of the  
13 Class and predominate over any questions solely affecting individual members of  
14 the Class. Among the questions of law and fact common to the Class are:

15  
16 (a) whether the federal securities laws were violated by Defendants'  
17 acts as alleged herein;

18  
19 (b) whether statements or omissions made by Defendants to the  
20 investing public during the Class Period omitted material facts about the  
21 Defendants' fraudulent stock trading in National Lampoon; and

22  
23 (c) to what extent the members of the Class have sustained damages,  
24 and the proper measure of damages.

25  
26 67. A class action is superior to all other available methods for the fair  
27 and efficient adjudication of this controversy since joinder of all members is  
28 impracticable. Furthermore, as the damages suffered by individual Class members

1 may be relatively small, the expense and burden of individual litigation make it  
2 impossible for members of the Class to redress individually the wrongs done to  
3 them. There will be no difficulty in the management of this action as a class  
4 action.  
5

6 **COUNT I**  
7

8 **Failing to Disclose Material Facts To Investors in Violation Of Rule 10b-5(b)**  
9 **Promulgated Under Section 10(b) Of The Exchange Act as Against Laikin,**  
10 **Durham and National Lampoon**

11 68. Plaintiffs repeat and re-allege each and every allegation  
12 contained above as if fully set forth herein.

13 69. This claim is alleged against Laikin, Durham and National Lampoon.

14 70. Throughout the Class Period, defendant National Lampoon acted  
15 through Laikin, the Company's chief executive officer and director. The  
16 misconduct, willfulness, motive, knowledge, and recklessness of Laikin is  
17 therefore imputed to National Lampoon, rendering the Company primarily liable  
18 for the securities law violations of Laikin committed while performing in his  
19 official capacity as a Company representative. In the alternative and additionally,  
20 National Lampoon is liable for the acts of the Laikin under the doctrine of  
21 respondent superior.  
22  
23  
24

25 71. Throughout the Class Period, defendants knowingly or recklessly  
26 omitted stating certain material facts which were necessary in order to make  
27 statements that they made not misleading to plaintiff and the other members of the  
28

1 Class in connection with the purchase and sale of National Lampoon stock.

2 72. The purpose and effect of defendants' omitting to state material facts  
3 concerning their trading in Company stock was to artificially inflate and maintain  
4 the price of National Lampoon's stock.  
5

6 73. Laikin, who was the top officer of the Company, and Durham, a  
7 director, had actual knowledge of the material omissions set forth above, and  
8 intended to deceive plaintiffs and the other members of the Class, or, in the  
9 alternative, acted with reckless disregard in that they were likely misleading  
10 investors when they failed to ascertain and disclose the true facts in the statements  
11 made by them or other National Lampoon personnel to members of the investing  
12 public, including plaintiff and the Class.  
13  
14  
15

16 74. As a result of the omission of material facts described above, the  
17 market price of National Lampoon's stock was artificially inflated during the  
18 Class Period.  
19

20 75. In ignorance of the misleading nature of the defendants' statements,  
21 plaintiff and the other members of the Class purchased National Lampoon stock at  
22 prices which were artificially inflated as a result of defendants' misleading  
23 statements.  
24

25 76. Had plaintiffs and the other members of the Class known of the  
26 material adverse information which defendants did not disclose, they would not  
27 have purchased National Lampoon stock at artificially inflated prices.  
28

1 77. By virtue of the foregoing, defendants have violated Section  
2 10(b) of the Exchange Act, and Rule 10b-5(b) promulgated thereunder.  
3

4 78. As a direct and proximate result of defendants' wrongful conduct,  
5 plaintiffs and the other members of the Class suffered damages in connection  
6 with their respective purchases and sales of the Company's securities during the  
7 Class Period.  
8

9 79. This action is being brought within two years after the discovery of  
10 the untrue statements and omissions and within five years after their issuance.  
11

12 **Count Two**

13 **Engaging in a Deceptive Stock Manipulation Scheme and Course of Conduct**  
14 **to Deceive and Defraud Violation Of Rule 10b-5(a) and Rule 10b-5(c)**  
15 **Promulgated Under Section 10(b) Of The Exchange Act as Against Laikin,**  
**Durham and National Lampoon**

16 80. Plaintiffs repeat and reallege each and every allegation contained in  
17 the foregoing paragraphs as if fully set forth herein.  
18

19 81. This claim is against defendants National Lampoon, Laikin and  
20 Durham based upon Rule 10b-5(a) and Rule 10b-5(c) promulgated under Section  
21 10(b) of the Exchange Act, 15 U.S.C. §78j(b), for using and employing a  
22 manipulative and deceptive device in connection with the purchase and sale of  
23 Company securities.  
24  
25

26 82. Throughout the Class Period, defendant National Lampoon acted  
27 through Laikin, the Company's chief executive officer and director. The  
28 misconduct, willfulness, motive, knowledge, and recklessness of Laikin is

1 therefore imputed to National Lampoon, rendering the Company primarily liable  
2 for the securities law violations of Laikin committed while performing in his  
3 official capacity as a Company representative. In the alternative and additionally,  
4 the Company is liable for the acts of the Laikin under the doctrine of respondent  
5 superior.  
6  
7

8 83. During the Class Period, defendants directly engaged in a common  
9 plan, scheme, and unlawful course of conduct, pursuant to which they knowingly  
10 or recklessly engaged in a stock manipulation scheme to artificially drive up the  
11 price of National Lampoon stock which operated as a fraud and deceit upon  
12 plaintiffs and the other members of the Class.  
13

14 84. The purpose and effect of said scheme, plan, and unlawful course of  
15 conduct was, among other things, to induce plaintiffs and the other members of  
16 the Class to purchase Company stock during the Class Period at artificially  
17 inflated prices.  
18

19 85. As a result of the manipulative and deceptive scheme and course of  
20 conduct as set forth above, the market price of National Lampoon stock was  
21 artificially inflated during the Class Period.  
22

23 86. Plaintiff and the Class were unaware of the defendants' stock  
24 manipulation scheme described above and the deceptive and manipulative devices  
25 and contrivances employed by said defendants. Had plaintiffs and the other  
26 members of the Class known the truth, they would not have purchased said shares  
27  
28

1 or would not have purchased them at the inflated prices that were paid.

2 87. Plaintiffs and the other members of the Class have suffered  
3  
4 substantial damages as a result of the wrongs herein alleged in an amount to be  
5 proved at trial.

6 88. By reason of the foregoing, defendants directly violated Section  
7  
8 10(b) of the Exchange Act and Rule 10b-5(a) and (c) promulgated thereunder in  
9 that they employed manipulative devices, schemes, and artifices to defraud; and  
10 engaged in acts, practices, and a course of business which operated as a fraud and  
11 deceit upon plaintiffs and the other members of the Class in connection with their  
12 purchases of National Lampoon securities during the Class Period.

13 89. This action is being brought within two years after the discovery of  
14  
15 the unlawful deceptive scheme and within five years of their National Lampoon  
16 stock purchases for which they seek recompense.

17  
18  
19 **COUNT III**

20 **Violation of Section 20(a) of the Exchange Act**  
21 **Against All of the Individual Defendants**

22 90. Plaintiff repeats and realleges each and every allegation contained  
23  
24 above as if fully set forth herein.

25 91. As alleged herein, the Individual Defendants acted as controlling  
26  
27 persons of National Lampoon within the meaning of Section 20(a) of the  
28 Exchange Act, 15 U.S.C. §78t(a). By virtue of their executive positions, Board



1 (b) Awarding compensatory damages in favor of Plaintiff and the other  
2 Class members against all Defendants, jointly and severally, for all damages  
3 sustained as a result of Defendants' wrongdoing, in an amount to be proven at  
4 trial, including interest thereon;  
5

6 (c) Awarding Plaintiff and the Class their reasonable costs and expenses  
7 incurred in this action, including counsel fees and expert fees; and  
8

9 (d) Such other and further relief as the Court may deem just and proper.  
10

11 **JURY DEMAND**

12 Plaintiff demands a trial by jury.

13 DATED: December 3, 2010

Respectfully submitted,  
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