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Fyre Festival Hit With Involuntary Bankruptcy Petition

By **Ryan Boysen**

Law360, New York (July 10, 2017, 8:40 PM EDT) -- A trio of investors hit Fyre Festival LLC on Friday with a petition to drag the ill-fated events company into involuntary Chapter 7 bankruptcy, in the latest suit seeking to recoup money lost on the "luxury" music festival that spiraled into an utter debacle.

The three individual investors told a New York bankruptcy court they put a total of roughly \$530,000 into the company, a subsidiary of Fyre Media LLC.

The two companies produced the now-infamous Fyre Festival, a musical event on a private island in the Bahamas originally billed as the "cultural experience of the decade" that quickly collapsed due to lack of planning, as stunned attendees circulated bizarre images of FEMA-tent lodgings, a barren concierge desk and soggy bread-and-cheese sandwiches.

None of the advertised musical acts played a single show. Ticket holders — some of whom shelled out nearly a quarter of a million dollars for exclusive packages — were left wondering where their money had gone, along with the doomed event's investors.

The Chapter 7 petition was filed by investors John Nemeth, Raul Jimenez and Andrew Newman. Beyond the amount invested, the document contained few details about their involvement with Fyre Festival LLC.

One person involved in the suit, who declined to be named, told Law360 the petition was somewhat of a shot in the dark, given the uncertainty about the company's assets and structure in general. The hope is that the bankruptcy process will be able to illuminate where all the money has gone and how the investors can get theirs back, the person said.

"The only things publicly known are what an FBI agent said in the indictment" of Billy MacFarland, the festival's 25-year-old organizer, the person told Law360. "Hopefully more will become known once the ball gets rolling, and we can eventually claw back some money and distribute it to the creditors."

MacFarland was **indicted on wire fraud charges** earlier this month. Federal prosecutors say he lied to investors about the size and professional bona fides of his companies to entice investors into trusting him with their money.

MacFarland told one pair of investors that Fyre Media had already done millions of dollars' worth of business, when in reality it had actually brought in less than \$60,000, prosecutors say.

The defendant also provided at least one investor with an altered stock ownership

statement to prove that he had the financial firepower to personally back the venture, according to prosecutors.

MacFarland, co-organizer Ja Rule and the associated companies have also been hit with a handful of ticketholder suits that were recently consolidated into a **multidistrict litigation**, as well as a \$100 million proposed class action and a **suit over a \$3 million loan** the pair defaulted on.

Ja Rule, a popular rapper whose legal name is Jeffrey Atkins, was not named in the criminal indictment.

The unlikely pair of MacFarland and Atkins bonded over their shared love of technology, rap music and the ocean, but neither had any experience organizing an event on the scale that Fyre Festival anticipated, according to media reports.

The pair quickly generated buzz around the festival by enlisting the help of dozens of "Fyre Starters" — paid social media personalities like models Kendall Jenner and Emily Ratajkowski — and sold the event to investors as "something that's hard to put into words" but would "exceed all expectations," according to a since-released pitch deck.

"Fyre has a unique goal and inspiration: The exploration of the uncharted inspired by and referencing the five elements of the earth," one of the slides said.

Atkins and MacFarland were repeatedly warned in the months and weeks leading up to the festival that it was millions of dollars over budget and badly behind schedule but reportedly pressed on anyway.

When guests arrived on the island they greeted by hastily erected FEMA tents, bloodstained mattresses and a dire shortage of food, according to one ticketholder lawsuit.

The jarring experience led to a sense of whiplash among the event's guests, who'd come expecting an ultra-luxury retreat, and the entire debacle soon lodged itself firmly in the public consciousness.

Representatives for Fyre Festival and the investors did not immediately respond to requests for comment on Monday.

The investors are represented by Robert Knuts of Sher Tremonte LLP.

Counsel information for Fyre Festival LLC was not immediately available on Monday.

The case is In re: Fyre Festival LLC, case number 17-11883-mg, in the U.S. Bankruptcy Court for the Southern District of New York.

--Editing by Brian Baresch.