# OVERVIEW OF FRAUD ALLEGATIONS AGAINST GARY MERTEN

*[redacted] v. Edge Innovations Inc., et al.*

Superior Court of California, County of Los Angeles • Case No. 20STCV38499 • Filed October 6, 2020

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## Summary

[redacted] invested $100,000 in Edge Innovations LLC in 2015 on the strength of representations made by Gary Merten, the company's managing member. The complaint alleges that those representations were false and that Merten never intended to honor them. The fraud claims center on three things: a fabricated company valuation, the sale of overlapping ownership interests at arbitrary and inconsistent prices unknown to the other members, and Merten's continued false assurances of payment that he never intended to keep.

## The Inducement and the False Valuation

In early 2015, Merten approached [redacted] with the Edge Innovations business and its "Travel Tumbler" product line, knowing he had valuable contacts in the entertainment, sports, and live-event industries. On **October 19, 2015**, Merten represented that, "as of this month," the company valuation was **$13 million**, and offered a 3% stake at a subscription rate of $100,000 for each 1%.

Relying on that valuation, [redacted] agreed to purchase a **1% membership interest in Edge LLC for $100,000**. The complaint alleges the $13 million figure was false — Edge LLC did not have that value — and that the valuation was manufactured to justify the price and make the company appear more valuable than it was.

## Inconsistent Valuations Across Investors

The most direct evidence of the scheme emerged when [redacted] tried to confirm his ownership. He had been told that two investors in Las Vegas — [redacted] and [redacted], operating through a venture-capital firm called Victoire Ventures, LLC — held interests in the company. When he approached them at the end of 2016 seeking a larger share:

- [redacted] and [redacted] stated they were **unaware of any membership interest** held by him, unaware of the Loan Agreement, and unaware of the $100,000 he had paid. They believed he was merely a consultant or independent contractor.
- He also learned that [redacted] was yet another person claiming to be an owner or member of Edge LLC.

- Critically, he discovered that the capital contributions made by [redacted], [redacted], and [redacted] were **each substantially less per percentage interest** than what Merten had charged him for his 1%.

In other words, Merten was allegedly selling interests in the LLC **at arbitrary, inconsistent values** — and doing so without the knowledge or consent of the other members.

## The Alleged Broader Scheme

The complaint frames these inconsistent valuations as part of a wider fraudulent scheme. It alleges that Merten was **inducing new investors to provide funds** that he then used either to pay increments to existing investors to keep them at bay, or to **falsely inflate the apparent value of Edge LLC** to attract larger investors — characterizing the operation as having been turned into "essentially another Ponzi scheme."

The complaint further alleges that most of the patents Merten claimed in the company Prospectus (beyond the Travel Tumbler and the Travel Cup) could not be verified, raising the possibility that those additional patents never existed.

## The False Promises of Payment

Even after suspicion set in, Merten allegedly continued to string him along. Throughout this period Merten acknowledged receiving the $100,000 and the services rendered, and repeatedly promised cash interest and vested membership interests on the November 1, 2019 due date. To keep him committed, Merten claimed:

- That large investors were "in the wings" waiting to inject significant funds from which he would be paid;
- That he had negotiated with a new investor to buy out the other members (the [redacted]), which would entitle him to a larger share; and
- That he should therefore stop dealing directly with the other members — which he did, in reliance on those assurances.

The complaint alleges these statements were false when made and that Merten, Edge Inc., and Edge LLC **had no intention of paying or honoring the vesting of any interest**.

## The Outcome and the Claims

The November 1, 2019 due date passed. Merten and the Edge entities paid nothing and refused to transfer any membership interests. The $100,000 investment was lost, along with the uncompensated value of time and services.

On the fraud side, the complaint pleads **Intentional Misrepresentation**, **Negligent Misrepresentation**, and **Concealment** (alongside contract and equitable claims). The fraud counts seek damages of no less than $150,000 plus **punitive damages**, alleging Merten's conduct was "willful, wanton, malicious and oppressive" and undertaken with intent to defraud.

*Prepared as a summary of the fraud allegations set out in the filed complaint. This is a description of the plaintiff's allegations, not a legal opinion or a finding of fact. Names of individuals other than Gary Merten have been redacted.*