

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

HONEY TREE TRADING, LLC,

Plaintiff,

vs.

LOTTERY.COM, INC., MATTHEW
HOWARD MCGAHAN,
CHRISTOPHER GOODING, AND
PAUL JORDAN,

Defendants.

C.A. No. 2024-0921-NAC

VERIFIED SECOND AMENDED COMPLAINT

Plaintiff Honey Tree Trading, LLC (“**Honey Tree**”), by and through its undersigned counsel, brings this Verified Second Amended Complaint against Defendants Lottery.com, Inc. (“**Lottery.com**”), Matthew Howard McGahan (“**McGahan**”), Christopher Gooding (“**Gooding**”), and Paul Jordan (“**Jordan**” and, collectively with McGahan and Gooding, the “**Individual Defendants**”).

NATURE OF THE ACTION

1. This action arises out of Lottery.com’s breaches of unambiguous contractual obligations owed to Honey Tree, one of Lottery.com’s shareholders, pursuant to a Senior Unsecured Convertible Note and Warrant to Purchase Common Stock, both dated December 6, 2023, and the Individual Defendants’ fraud and breach of fiduciary duties.
2. Pursuant to the Warrant to Purchase Common Stock (the

“**Warrant**”), Honey Tree was granted the right to receive up to 277,000 shares of Lottery.com’s publicly traded common stock. A true and accurate copy of the Warrant is attached as **Exhibit 1**.

3. On July 3, 2024, pursuant to the Warrant, Honey Tree submitted a valid and proper Exercise Notice, through which it lawfully exercised its rights to purchase 10,000 Warrant Shares of Lottery.com through a cashless exercise (the “**July 3 Exercise Notice**”). Pursuant to the July 3 Exercise Notice, Lottery.com was required to deliver 20,883 shares of its common stock to Honey Tree. Lottery.com has not delivered said shares to Honey Tree, and the Individual Defendants have made affirmative representations that Lottery.com will not honor its contractual obligations to do so.

4. On July 15, 2024, pursuant to the Warrant, Honey Tree submitted a valid and proper Exercise Notice, through which it lawfully exercised its rights to purchase 115,000 Warrant Shares of Lottery.com through a cashless exercise (the “**July 15 Exercise Notice**” and, collectively with the July 3 Notice, the “**Exercise Notices**”). Pursuant to the July 15 Exercise Notice, Lottery.com was required to deliver 230,000 shares of its common stock to Honey Tree. Lottery.com has not delivered said shares to Honey Tree, and the Individual Defendants have made affirmative representations that Lottery.com will not honor its contractual obligations to do so.

5. Pursuant to the Senior Unsecured Convertible Note (the “**Note**”), a

true and accurate copy of which is attached hereto as **Exhibit 2**, Honey Tree lent \$577,000 to Lottery.com and was thereby granted the right to submit Conversion Notices converting, at a certain price, amounts of those funds into shares of Lottery.com common stock.

6. On June 12, 2024; June 25, 2024; and July 19, 2024, Honey Tree submitted valid and proper Conversion Notices, through which it lawfully exercised its rights to convert \$225,000.00 in aggregate principal into Lottery.com common stock (the “**Conversion Notices**”).

PARTIES AND RELEVANT NON-PARTIES

7. Honey Tree is Florida limited liability company with its principal place of business located at 501 Silver Lane, Boca Raton, Florida. As detailed herein, Honey Tree is a major investor in Lottery.com, having invested or loaned a total of approximately \$1 million between December of 2023 and March of 2024. Honey Tree is also a Lottery.com shareholder, having purchased 100 shares of Lottery.com common stock on November 7, 2024. Honey Tree’s Charles Schwab Trade Confirmation confirming this transaction is annexed hereto as **Exhibit 3**.

8. Lottery.com is a void Delaware corporation with its principal place of business located at 5049 Edwards Ranch Road, 4th Floor, Fort Worth, Texas 76109.

9. McGahan is an adult individual who resides in Florida. McGahan is

the chief executive officer of Lottery.com and served in that role at all times relevant to this action.

10. Gooding is an adult individual who resides in London, England. Gooding is a director on Lottery.com's board of directors and has been at all times relevant to this action.

11. Jordan is an adult individual who resides in London, England. Jordan is a director on Lottery.com's board of directors and has been at all times relevant to this action.

12. Non-party Amar Ali ("Ali") is an adult individual whose residence is unknown. Ali is corporate counsel for Lottery.com and Lottery.com's designated escrow agent and has been at all times relevant to this action.

JURISDICTION AND VENUE

13. This Court has jurisdiction over this action pursuant to 10 Del. C. § 341.

14. Lottery.com is a citizen of Delaware by virtue of its being incorporated in Delaware, and it accordingly is subject to general personal jurisdiction in Delaware.

15. Upon information and belief, despite purporting to do business and trading on the NASDAQ, Lottery.com has been void under Delaware law since March of 2023 for failure to file an annual report and pay state franchise taxes, and the total amount of Lottery.com's tax liability to the

State of Delaware is \$312,836.00.

16. The Individual Defendants are officers and directors of Lottery.com, a Delaware resident, and accordingly have submitted to specific personal jurisdiction for matters related to such roles.

17. Under the internal affairs doctrine, the claims asserted against the Individual Defendants are governed by Delaware law. The Warrant and the Note further provide for the application of Delaware law.

18. By entering the Warrant, Lottery.com has consented to the “exclusive jurisdiction of the state and federal courts sitting in The City of Wilmington, Delaware, for the adjudication of any dispute hereunder or in connection with herewith or with any transaction contemplated hereby or discussed herein” (Warrant at §11).

19. By entering the Note, Lottery.com has consented to the “exclusive jurisdiction of the state and federal courts sitting in The City of Wilmington, Delaware, for the adjudication of any dispute hereunder or in connection with herewith or with any transaction contemplated hereby or discussed herein” (Note at §28).

FACTUAL ALLEGATIONS

I. The Individual Defendants’ Malfeasance

20. On December 6, 2023, Lottery.com issued the Warrant and the Note

to Honey Tree. In the months leading up to the execution of the Warrant and the Note, starting in July of 2023, McGahan had sought out and directly communicated with Honey Tree's principal, Philip Gurian ("**Mr. Gurian**"), in an effort to persuade Honey Tree to invest in Lottery.com.

21. Unbeknownst to Honey Tree at the time it executed the Warrant and the Note, the Individual Defendants had been misleading investors as to how investment funds were used. McGahan specifically reassured Honey Tree that Honey Tree's and other investors' funds would not be used to financially support his lifestyle. This reassurance was given in November of 2023, prior to Honey Tree's investment in Lottery.com. Honey Tree later discovered that investment funds, including Honey Tree's, were used to pay McGahan's rent for his mansion in Boca Raton, Florida. McGahan also represented to Honey Tree during this conversation in November of 2023 that he had invested more than \$1,000,000 of his own money into Lottery.com, which Honey Tree later discovered was not true.

22. Unbeknownst to Honey Tree at the time it executed the Warrant and the Note, Lottery.com was prohibited from entering such agreements due to the terms of a prior agreement between Lottery.com and a third-party noteholder, a secured lender. Ali, Lottery.com's corporate counsel and himself a Lottery.com shareholder, knew this when he negotiated the Warrant and the Note with Honey Tree.

23. In February of 2024, after Honey Tree executed the Note and the Warrant, Lottery.com amended a loan agreement with United Capital Investment London, Ltd. (“UCIL”)—a company owned by McGahan—to secure an additional \$100,000,000 credit facility from UCIL.

24. After Honey Tree executed the Note and the Warrant – and after Honey Tree submitted its Exercise Notices – Lottery.com issued millions of shares, including shares to the Individual Defendants, without notice to or the approval of Lottery.com’s shareholders. The Individual Defendants have also caused Lottery.com to gift at least hundreds of thousands of shares to individuals associated with the Individual Defendants without consideration, including 300,000 shares issued to McGahan’s landlord in Florida.

25. In February and March of 2024, after Honey Tree executed the Note and the Warrant, Lottery.com induced Honey Tree into investing additional sums – a total of approximately \$450,000 – but did not issue additional shares or conversion or exercise rights. These investments were the result of an in-person meeting between Mr. Gurian, Ali, and McGahan in January 2024. Ali and McGahan told Mr. Gurian that they and their families had invested millions of dollars in Lottery.com and would each be investing an additional \$4,000,000 in Lottery.com by March of 2024, all of which Honey Tree later discovered was false. Honey Tree also later discovered

the existence of judgments held by multiple debtors against Ali totalling between \$2,000,000 and \$5,000,000.

26. Honey Tree's \$450,000 investment was sent via three wire transfers to Ali, who was Lottery.com's escrow agent, on February 14, 2024, March 22, 2024, and March 26, 2024.

27. Despite repeated requests by Honey Tree and its bank, Lottery.com refused to issue a new convertible note or warrant, return the \$450,000, or provide any information regarding the status or use of these additional funds. In September of 2024, counsel for Honey Tree sent counsel for Lottery.com a written demand for an accounting of the funds, but never received a response.

28. When it executed the Warrant and the Note in December of 2023, Honey Tree was unaware that Lottery.com was void. Upon discovering Lottery.com's void status in September of 2024, Honey Tree notified the Court and the Individual Defendants via a letter filed with this Court and served upon the Individual Defendants on September 25, 2024.

29. On November 29, 2024, Lottery.com, by and through the Individual Defendants, disclosed in a Form 8-K filed with the Securities and Exchange Commission ("**SEC**") that it had entered into an agreement for an equity line of credit ("**ELOC**") from a third party, Generating Alpha Ltd. ("**Generating Alpha**"), for up to \$100,000,000 of Lottery.com

common stock, with common stock equivalent to a small percentage of the overall amount to be issued to Generating Alpha immediately. (This is the second time the Individual Defendants have authorized the issuance of additional stock since being put on notice of Lottery.com's void status; Lottery.com filed an Amended S-1 on October 10, 2024.) As explained further below, this financing violates the terms of Honey Tree's Note, and, more urgently, it is also unlawful because Lottery.com is void under Delaware law.

30. Time is of the essence with respect to Honey Tree's claims against the Individual Defendants, particularly its fiduciary breach cause of action. Since at least September of 2024, the Individual Defendants have known that Lottery.com is void, but instead of curing the company's void status, the Individual Defendants are pursuing funding that would require them to authorize the issuance of stock. Further, through their dealings with Honey Tree, the Individual Defendants have repeatedly demonstrated that any funds obtained by Lottery.com—whether via a loan agreement or a straightforward cash investment—are used for the personal benefit of the Individual Defendants instead of legitimate corporate purposes that would have been in the interest of Lottery.com or its shareholders (*e.g.*, paying the franchise taxes the company has owed to the State of Delaware for more than 18 months).

II. Lottery.com's Breaches of the Note & Warrant

a. The Warrant

31. Pursuant to the Warrant, Lottery.com granted Honey Tree the right to purchase 277,000 shares of common stock of Lottery.com on or before the expiration date, which the Warrant defines as September 5, 2028. (Warrant at 1, 20.)
32. The Warrant defines common stock as “the common stock, par value \$0.0001, of [Lottery.com] and any other shares of stock issued or issuable with respect thereto (whether by way of a stock dividend or stock split or in exchange for or upon conversion of such shares or otherwise in connection with a combination of shares, distribution, recapitalization, merger, consolidation, other corporate reorganization or similar event with respect to the Common Stock).” (Warrant at 19.)
33. Exhibit A to the Warrant is a form Exercise Notice, which gives the holder the right to purchase Lottery.com common stock by and through the executed Exercise Notice (Warrant at Ex. A.) Honey Tree’s aforementioned Exercise Notices are properly executed and submitted versions of Exhibit A.
34. The Warrant granted Honey Tree the unlimited right to exercise its rights to obtain common stock on any day on or after December 6, 2023. (Warrant at §1(a).)

35. The Warrant provides for an Exercise Price of \$2.2751. (Warrant at § 1(b).) Notwithstanding, the Warrant provides that “at any time commencing sixty (60) days after the Common Stock is listed on a Trading Market, the Holder may in its sole discretion (and without limiting the Holder’s rights and remedies contained herein or in any of the other transaction documents) exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the ‘Net Number’ of shares of Common Stock determined according to the following formula...”

36. Honey Tree’s Exercise Notices were each submitted more than sixty (60) days after Lottery.com’s Common Stock began trading on the NASDAQ.

37. By and through the Exercise Notices, Honey Tree lawfully and validly exercised its Warrant rights for a cashless exercise with respect to 10,000 and 115,000 warrant shares, respectively.

38. Applying the formula specified in Section 1(d) of the Warrant for cashless exercise, by and through the July 3 Exercise Notice (annexed hereto as **Exhibit 4**), Honey Tree was entitled to receive (and Lottery.com was required to issue to Honey Tree) 20,883 shares of Lottery.com common stock. (July 3 Exercise Notice at 2.)

39. Applying the formula specified in Section 1(d) of the Warrant for cashless exercise, by and through the July 15 Exercise Notice (annexed hereto as **Exhibit 5**), Honey Tree was entitled to receive (and Lottery.com was required to issue to Honey Tree) 230,000 shares of Lottery.com common stock. (July 15 Exercise Notice at 2.)
40. Lottery.com has failed to honor its contractual obligations pursuant to the Warrant and Exercise Notices. Despite having received the Exercise Notices, Lottery.com has refused to issue or transfer the required shares, and it has instructed its transfer agent, Continental, not to transfer the shares to Honey Tree.
41. During the period that Lottery.com has refused to issue or transfer Honey Tree's shares pursuant to the Exercise Notices, Honey Tree became aware that the Individual Defendants had successfully exercised their own warrants at discounted rates that Lottery.com had previously claimed were not available to investors, including Honey Tree.
42. Upon information and belief, Lottery.com has also refused to issue shares to other investors who have likewise lawfully and properly executed and submitted Exercise Notices to Lottery.com.
43. There is no valid justification for Lottery.com's failure to deliver the required shares of common stock to Honey Tree.
44. The Individual Defendants are all aware of the Exercise Notices, and

of Lottery.com's ongoing failure to deliver the required shares. Upon information and belief, the subject has been discussed at length during at least one board meeting since Honey Tree submitted the Exercise Notices. The Individual Defendants have also been notified of the Exercise Notices by and through this litigation, which was initially commenced in September of 2024, and via pre-litigation correspondence from Honey Tree's counsel.

45. The Individual Defendants have knowingly and intentionally caused Lottery.com to breach its contractual obligations to Honey Tree. Specifically, and without limitation, they believe (and have stated) that issuing the required shares will have a detrimental financial effect on the stock price of Lottery.com. Coincidentally, Lottery.com has issued millions of new shares of common stock to the Individual Defendants and their affiliates, which has had the effect of diluting Lottery.com's stock.

46. The Warrant specifies that Honey Tree is entitled to injunctive relief, requiring Lottery.com to issue the Common Stock identified in the Exercise Notices. The Warrant provides as follows:

The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and any other transaction documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant.

The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, exercises and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). **The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate.** The Company therefore agrees that, in the event of any such breach or threatened breach, the holder of this Warrant shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required...

(Warrant at §14) (the “**Irreparable Harm Clause**”) (emphasis added).

47. The Warrant also specifies certain monetary damages that Honey

Tree is entitled to recover as follows:

(c) Company’s Failure to Timely Deliver Securities. If the Company fails to issue and deliver (or cause to be delivered) to the Holder by the Required Delivery Date a certificate representing the Warrant Shares that is free from all restrictive and other legends or credit the balance account of Holder or Holder’s nominee with DTC for such number of Warrant Shares so delivered to the Company, then, in addition to all other remedies available to Holder, at the sole discretion of Holder, the Company shall:

(i) pay in cash to Holder on each Trading Day after the Required Delivery Date that the issuance or credit of such Warrant Shares is not timely effected an amount equal to 1% of the product of (A) the number of shares of Common Stock not so delivered or credited (as the case may be) to Holder or Holder’s nominee multiplied by (B) the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the Required Delivery Date; or

(ii) if on or after the Required Delivery Date, Holder (or any other Person in respect, or on behalf, of Holder) purchases (in an open market transaction or otherwise) Common Stock (“**Replacement Shares**”) to deliver in satisfaction of a sale by Holder of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock, that Holder so anticipated receiving from the Company without any restrictive legend, then, within five (5) Trading Days after Holder’s request and in Holder’s sole discretion, either

(A) pay cash to Holder in an amount equal to Holder’s total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the Replacement Shares (the “**Buy-In Price**”), at which point the Company’s obligation to so deliver such certificate or credit Holder’s balance account shall terminate and such shares shall be

cancelled, or (B) promptly honor its obligation to so deliver to Holder a certificate or certificates or credit Holder’s DTC account representing such number of shares of Common Stock that would have been so delivered if the Company timely complied with its obligations hereunder and pay cash to Holder in an amount equal to the excess (if

any) of the Buy-In Price over the product of (1) such number of shares of Common Stock that the Company was required to deliver to Holder by the Required Delivery Date multiplied by (2) the lowest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date Holder purchased Replacement Shares and ending on the date of such delivery and payment under this clause (ii)...

(Warrant at §1(c)) (the “**Monetary Damages Clause**”).

b. The Note

48. Pursuant to the Note, Lottery.com granted Honey Tree the right to convert a portion or all of its \$557,500 principal amount into shares of common stock. (Note at 1.) Specifically, the Note grants Honey Tree the

unlimited right to exercise its rights to convert principal and/or other conversion amounts into Lottery.com common stock on any day on or after December 6, 2023. (*Id.* at §3(a).)

49. The Note defines common stock as “(i) the Company’s shares of common stock, par value \$0.001, and (ii) any capital stock into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.” (*Id.* at 35.)

50. The Note contains (as Exhibit 1) a form Conversion Notice (*Id.* at Ex. 1.) Honey Tree’s aforementioned Conversion Notices, through which it converted a total of \$225,000, are properly executed and submitted versions of Exhibit 1. The Conversion Notices are annexed hereto as **Exhibit 6, Exhibit 7, and Exhibit 8.**

51. Unlike the Exercise Notices, Honey Tree’s Conversion Notices were honored by Lottery.com, and Honey Tree became a shareholder as a result of the Conversion Notices. However, Honey Tree subsequently sold all of those shares before commencing this litigation.

52. Lottery.com has a number of obligations to Honey Tree pursuant to the Note, beyond its obligation to fulfill Conversion Notices. For example, the Note generally requires Lottery.com to properly notice Honey Tree of any circumstances, financial or otherwise, that could or did result in Lottery.com’s default under or breach of the Note (including but not

limited to making false or misleading representations or warranties to Honey Tree and failing to comply with the covenants articulated in Section 15 of the Note (*see infra*). (Note at §§3(f), 4(a).) Lottery.com is required to provide such notice so as to allow Honey Tree to redeem any portion of or the entire Note upon learning of a default or breach. (*Id.* at §4(b).)

53. Section 15 of the Note contains several covenants, through which Lottery.com is obligated, *inter alia*: (i) not to incur any additional indebtedness or pursue certain types of funding (including, specifically, an ELOC, which Lottery.com is restricted from entering into without the prior written consent of Honey Tree); (ii) not to make certain payments (of cash or cash equivalents) or investments if Lottery.com is in default pursuant to Section 4 of the Note; and (iii) not to transact with affiliated companies, unless the transaction is comparable to an arm's length transaction with a non-affiliated person or entity. (*Id.* at 22—25.)

54. As explained *supra*, Lottery.com breached these provisions and covenants in the Note, and it did not properly notify Honey Tree, meaning that Honey Tree was not able to redeem or convert the remaining portion of the principal amount.

55. The Note contains a section identical to the Warrant's Irreparable Harm Clause, allowing Honey Tree to pursue specific performance and/or injunctive relief upon a breach of the Note. (*Id.* at §20.)

56. Time is also of the essence with respect to Honey Tree's rights under the Warrant and the Note. The Individual Defendants are operating Lottery.com for their own personal benefit and as a facade through which they attempt to raise money; they do not actually operate a legitimate business, and Honey Tree and other shareholders are being directly harmed as a result. Without judicial intervention and a prompt order requiring the issuance of shares to Honey Tree pursuant to Honey Tree's properly submitted Exercise Notices and Conversion Notices, it is likely that Lottery.com will never honor the Note or the Warrant, or that Honey Tree will eventually receive worthless shares in Lottery.com.

DERIVATIVE ALLEGATIONS

57. Honey Tree repeats and re-alleges the allegations set forth in paragraphs 1 through 56 above as though fully set forth herein.

58. Honey Tree brings Count IV derivatively in the right and for the benefit of Lottery.com to redress injuries that have been and are continuing to be suffered by Lottery.com as a direct result of the Individual Defendants' breaches of fiduciary duty. The ELOC approved by the Individual Defendants requires the Individual Defendants to authorize the issuance of additional shares of Lottery.com common stock. Because Lottery.com is void under Delaware law, Lottery.com cannot lawfully issue shares, and this conduct will have the effect of diluting Lottery.com's stock

at no benefit to the company or its shareholders. Also, upon information and belief, based on the Individual Defendants' pattern of conduct, any financing secured by Lottery.com will be used by the Individual Defendants and their associates for the personal benefit of the Individual Defendants instead of the benefit of Lottery.com and its shareholders.

59. Honey Tree has been and continues to be a shareholder of Lottery.com at the time of the specific fiduciary breach complained of in Count IV.

**DEMAND ON THE LOTTERY.COM BOARD OF DIRECTORS IS
EXCUSED AS FUTILE**

60. Honey Tree repeats and re-alleges the allegations set forth in paragraphs 1 through 59 above as though fully set forth herein.

61. Honey Tree has not made a demand on the Lottery.com board of directors asserting Count IV as set forth herein, because such pre-suit demand would be futile and is excused as a matter of law.

62. The current Lottery.com board consists of the following five (5) individuals: Individual Defendants McGahan, Gooding, and Jordan, and non-parties Warren Macal and Tamer Hassan.

63. Demand would be futile because Count IV alleges wrongdoing against a majority of Lottery.com's board. McGahan, Gooding, and Jordan comprise a majority of the board and each face a substantial likelihood of

personal liability based on the actions and inactions described herein, because they are complicit in the scheme, articulated in Count IV, to raise funds from investors for their own personal use and benefit and issue themselves and their affiliates stock even though they know that Lottery.com is void. This conduct is purely self-interested and has the harmful effect of diluting Lottery.com's other shareholders.

COUNT I: DECLARATORY JUDGMENT

(Lottery.com Must Issue or Direct its Transfer Agent to Issue 250,883 Shares of Its Common Stock to Honey Tree)

64. Honey Tree repeats and re-alleges the allegations set forth in paragraphs 1 through 63 above as though fully set forth herein.

65. The Warrant and the Note are valid and enforceable contracts by and between Lottery.com and Honey Tree.

66. Honey Tree lawfully and properly exercised its rights for a cashless exercise for Lottery.com common stock pursuant to the Warrant, by and through the executed and submitted Exercise Notices.

67. Honey Tree has fully performed under the Warrant, and any failure to do so is excused by the conduct of Lottery.com.

68. Lottery.com has breached the Warrant by failing to issue shares to

Honey Tree pursuant to the Exercise Notices.

69. The Individual Defendants have stated, in form and substance, that they will prevent Lottery.com from honoring its contractual obligations to Honey Tree pursuant to the Warrant and Exercise Notices.

70. An actual controversy exists between Honey Tree and Lottery.com concerning whether Lottery.com is obligated to issue (or cause its transfer agent to issue) shares of Lottery.com common stock to Honey Tree.

71. Pursuant to the Warrant and otherwise in equity, Honey Tree is entitled to declaratory judgment and an order directing Lottery.com to specifically perform its obligations under the Warrant and Exercise Notices by issuing 250,833 shares of common stock to Honey Tree or causing its transfer agent to do so on Lottery.com's behalf.

72. Honey Tree has no adequate remedy at law.

COUNT II: BREACH OF CONTRACT – WARRANT

(Lottery.com Has Breached the Warrant and Exercise Notices by Failing to Deliver Shares As Required)

73. Honey Tree repeats and re-alleges the allegations set forth in paragraphs 1 through 72 above as though fully set forth herein.

74. The Warrant is a valid contract entered into by Honey Tree and Lottery.com.

75. Pursuant to the Warrant and other valid and lawful consideration, Lottery.com granted Honey Tree rights to purchase up to 277,000 shares of

Lottery.com's common stock on the terms specified in the Warrant.

76. Pursuant to the Warrant, Honey Tree has lawfully and properly submitted the Exercise Notices, pursuant to which Honey Tree has lawfully and properly exercised its rights for the cashless exercise of 250,883 shares of Lottery.com common stock.

77. Lottery.com has knowingly and intentionally failed to honor its contractual obligation to cause its transfer agent to issue and deliver 250,833 shares of Lottery.com common stock to Honey Tree.

78. Honey Tree has been damaged and injured as a direct and proximate result of Lottery.com's breaches of contract.

79. Honey Tree is entitled to specific performance of the Warrant as a result of Lottery.com's breaches of contract.

COUNT III: BREACH OF CONTRACT – NOTE

(Lottery.com Has Breached the Note As a Result of the Individual Defendants' Malfeasance)

80. Honey Tree repeats and re-alleges the allegations set forth in paragraphs 1 through 79 above as though fully set forth herein.

81. The Note is a valid contract entered into by Honey Tree and Lottery.com.

82. Pursuant to the Note and other valid and lawful consideration, Honey Tree converted, via the submission of three valid Conversion

Notices, \$225,000 into Lottery.com common stock.

83. By and through the malfeasance and misconduct of the Individual Defendants, Lottery.com has knowingly and intentionally failed to honor its contractual obligations pursuant to the Note, including, but not limited to: (i) its obligation to notify Honey Tree of certain events or circumstances so that Honey Tree can immediately redeem or convert the remaining principal amount; (ii) its obligations not to incur additional indebtedness or obtain certain additional financing during the Note term; and, relatedly, (iii) its obligation not to engage in transactions with entities that are so closely affiliated with the Individual Defendants that the transaction could not be defined as arms-length.

84. Honey Tree has been damaged and injured as a direct and proximate result of Lottery.com's breaches of contract.

COUNT IV: BREACH OF FIDUCIARY DUTY

85. Honey Tree repeats and re-alleges the allegations set forth in paragraphs 1 through 84 above as though fully set forth herein.

86. The Individual Defendants have owed fiduciary duties to Honey Tree, a Lottery.com shareholder, since November 7, 2024, including the fiduciary duty of loyalty.

87. Inherent in the fiduciary duty of loyalty is the requirement to act in good faith for the benefit of the company and its shareholders.

88. By agreeing to an ELOC that will result in the unlawful issuance of shares of common stock even after being notified in September of 2024 that Lottery.com is void under Delaware law—which will have the effect of diluting existing shareholders—the Individual Defendants have breached their fiduciary duty of loyalty to Honey Tree. This is the second time the Individual Defendants have authorized the issuance of common stock since being put on notice that Lottery.com is void, and Honey Tree believes this conduct will continue without the Court’s intervention. Further, upon information and belief, based on the Individual Defendants’ pattern of conduct with Honey Tree, the funding will be used to benefit the Individual Defendants.

89. Honey Tree, Lottery.com, and Lottery.com’s other shareholders have been and will continue to be injured and damaged by the Individual Defendants’ breach of fiduciary duties.

COUNT V: FRAUD

90. Honey Tree repeats and re-alleges the allegations set forth in paragraphs 1 through 89 above as though fully set forth herein.

91. Lottery.com, by and through Ali and McGahan, made false representations to Honey Tree in November of 2023 and January of 2024 to induce Honey Tree into entering the Note and the Warrant and sending an additional \$450,000 to Lottery.com. Specifically, Ali and McGahan told

Honey Tree, in no uncertain terms, that: (i) Honey Tree's and other investors' funds would not be used to support McGahan's lifestyle; and (ii) both Ali and McGahan, and their families, had already invested millions of dollars in Lottery.com and were set to invest an additional collective \$8,000,000 by March 2024.

92. Lottery.com and the Individual Defendants also failed to disclose to Honey Tree, in its public filings or otherwise, the following material facts before Honey Tree executed the Note and the Warrant, or before Honey Tree wired an additional \$450,000 to Lottery.com through its escrow agent, Ali: (i) Lottery.com owed more than \$300,000 in taxes to the State of Delaware; and (ii) this tax delinquency had resulted in Lottery.com being declared void as an entity in March of 2023.

93. Lottery.com, Ali, and the Individual Defendants knew these representations to Honey Tree were false and that Honey Tree would not invest in Lottery.com were those representations not made. Lottery.com and the Individual Defendants also knew that Honey Tree and others would not invest in Lottery.com if they disclosed that Lottery.com was void as a corporation as a result of its substantial tax liability. At the very least, Lottery.com, Ali, McGahan, and the other Individual Defendants were recklessly indifferent to the truth of the misrepresentations made to Honey Tree, and with respect to their failure to disclose material facts to Honey

Tree.

94. Honey Tree executed the Note, the Warrant, the Exercise Notices, and the Conversion Notices, and sent additional investment funds to Lottery.com for which Honey Tree did not receive common stock or conversion rights, in reasonable reliance upon these false assurances and failures to disclose. Between December of 2023 and March of 2024, Honey Tree invested approximately \$1 million in Lottery.com as a direct result of being lied to by McGahan and Ali and because Lottery.com and the Individual Defendants concealed from Honey Tree Lottery.com's void status and tax liability.

95. Honey Tree has been uniquely injured and damaged by Lottery.com's, Ali's, and the Individual Defendants' fraud.

COUNT VI: CONVERSION

96. Honey Tree repeats and re-alleges the allegations set forth in paragraphs 1 through 95 above as though fully set forth herein.

97. On February 14, 2024, March 22, 2024, and March 26, 2024, Honey Tree wired a total of \$450,000 to Ali as an additional investment in Lottery.com for which Honey Tree was to receive shares and/or conversion and exercise rights, consistent with the terms of the Notes and the Warrants.

98. After Honey Tree wired the funds to Ali, it never received anything

in exchange. Honey Tree notified Ali, McGahan, and the other Individual Defendants, as well as officers of Lottery.com, but still did not receive anything. Honey Tree also did not receive responses to its requests to those individuals that Lottery.com or Ali return the funds, or at least account for how the money was used by Lottery.com.

99. The \$450,000 was comprised entirely of Mr. Gurian's personal funds, not the funds of any third party or other investor.

100. Ali and the Individual Defendants wrongfully exercised control over Honey Tree's funds, in denial or inconsistent with Honey Tree's right to receive consideration in exchange for those funds.

101. Honey Tree has been damaged by Ali's, Lottery.com's, and the Individual Defendants' conversion, and Honey Tree is entitled to the return of its \$450,000 by Lottery.com or the Individual Defendants.

PRAYER FOR RELIEF

WHEREFORE, Honey Tree respectfully requests entry of judgment in its favor and against Defendants as follows:

1. A declaration requiring Lottery.com to specifically perform its obligations pursuant to the Warrant and Exercise Notices by causing its transfer agent to issue 253,800 shares of Common Stock to Honey

Tree, and causing Lottery.com to pay any and all fees and costs associated with doing so;

2. A declaration that Lottery.com must comply with the Note by paying all interest that is due and owing on the Note, and causing Lottery.com to pay any and all fees and costs associated with doing so;
3. In the alternative, specific to Honey Tree's fiduciary breach claim, an order enjoining the Individual Defendants from purporting to take any corporate action on behalf of Lottery.com, including issuing any Lottery.com stock to themselves or third parties, until such time as Lottery.com has cured its tax delinquency;
4. A declaration that Lottery.com must indemnify Honey Tree for all losses, liabilities, damages, costs, and expenses, including reasonable attorneys' fees and costs of investigation and litigation as a result of Lottery.com's breach of the Warrant, Exercise Notices, Note, and Conversion Notices, including Honey Tree's fees and costs incurred with the investigation, preparation, and prosecution of this action;
5. An order requiring Lottery.com and the Individual Defendants to return to Honey Tree the full amount of the \$450,000 sent by Honey Tree to Ali in February and March 2024;

6. In the alternative, an order requiring Lottery.com and the Individual Defendants to provide an accounting of the \$450,000 sent by Honey Tree to Ali in February and March 2024;
7. Damages as specified in the Warrant and the Note and otherwise available at law or in equity, in an amount to be determined at trial, plus consequential damages and attorneys' fees;
8. Pre- and post-judgment interest; and
9. All such other and further relief as the Court deems just and proper.

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