

Rebecca Lawsuit Highlights Importance of Due Diligence

by Donald Scarinci

When seeking funding for a movie, television, or theater production, it can be difficult not to jump at the first investor that comes forward. However, as a recent [entertainment lawsuit](#) highlights, not all investors are who they claim to be.

Producers of the Broadway show *Rebecca-The Musical* (which is based on the 1938 novel *Rebecca* by Daphne du Maurier) have filed a \$100 million fraud lawsuit against a stockbroker who had promised to secure funding for the show. Mark C. Hotton has also been arrested on criminal charges.

According to the civil lawsuit, Hotton presented himself as a registered stockbroker and someone who had experience in funding theater productions. However, the producers contend that it turned out to be an elaborate fraud.

“Hotton, aided and abetted by his wife Sherri, invented fictitious investors, forged financial documents, and orchestrated dozens of seemingly- independent communications to Plaintiffs— all ostensibly from bona fide investors, lenders, and their associates—in support of his scheme. At the end of the day, none of the investors or proposed financing Hotton claimed to have found materialized, and Plaintiffs were left scrambling to find funds for the Musical at the eleventh hour,” the complaint states.

According to the [New York Times](#), the producers are now trying to salvage the production by securing additional funding. If not, they may be liable for \$7 million owed to other investors and third parties.

In this case, it is unclear what type of due diligence was performed and if it would have prevented the alleged fraud. However, it still serves as a powerful reminder that not every potential investor is a good investor.

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