

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

GEM HOLDCO, LLC,

Plaintiff,

-against-

CHANGING WORLD TECHNOLOGIES, L.P., CWT  
CANADA II LIMITED PARTNERSHIP, RESOURCE  
RECOVERY CORPORATON, JEAN NOELTING,  
RIDGELINE ENERGY SERVICES, INC., and  
DENNIS DANZIK.

Defendants.

Index No. 650841/2013

**AMENDED VERIFIED  
COMPLAINT**

Plaintiff GEM HOLDCO, LLC (“GEM”), by its attorneys, Venturini & Associates, as and for its amended verified complaint against defendants CHANGING WORLD TECHNOLOGIES, L.P. (“CWT”), CWT CANADA II LIMITED PARTNERSHIP (“CWT Canada”), RESOURCE RECOVERY CORPORATON (“Resource”), JEAN NOELTING, RIDGELINE ENERGY SERVICES, INC. (“Ridgeline”), and DENNIS DANZIK (together with CWT, CWT Canada, Resource, Jean Noelting, and Ridgeline, “Defendants”), alleges as follows:

**THE PARTIES**

1. GEM is a Delaware limited liability company with an office at 590 Madison Avenue, 27th Floor, New York, NY 10022. GEM is qualified to do business in the State of New York.

2. CWT is a Delaware limited partnership. CWT owns and fully operates several subsidiaries (the “Operating Subsidiaries”) one of which manufactures and sells renewable diesel fuel oil. Through prior investments dating back to 2010, one of the GEM Group entities owns a portion of a company that previously owned a majority of the Operating Subsidiaries.

3. Defendant Resource is a Delaware corporation and is a limited partner in CWT. Resource is controlled by Bruce A. MacFarlane.

4. Defendant CWT Canada is a Delaware limited partnership with an office at c/o Royal Capital Management Corp., 4100 Yonge Street, Suite 405, Toronto, Ontario M2P 2G2 and is a limited partner of CWT. CWT Canada is controlled by Jean Noelting.

5. Defendant Jean Noelting is the General Partner of defendant CWT Canada.

6. Defendant Ridgeline is a corporation whose stock is publicly traded in Canada with an office at 7047 E. Greenway Parkway, Suite 210, Scottsdale, Arizona 85254.

7. Defendant Dennis Danzik is the CEO of defendant Ridgeline.

### **JURISDICTION**

8. Pursuant to the Limited Partnership Agreement (defined below), defendants CWT Canada and Resources agreed to be subject to the jurisdiction of any State or Federal court sitting in the County of New York or the Southern District of New York and agreed to waive any defense in any action that such action may not be maintainable in such courts or that the venue thereof may not be appropriate.

9. Pursuant to the Purchase Agreement (defined below), defendant CWT agreed that any legal proceeding concerning the agreement must exclusively be brought in the State or Federal courts sitting in the City of New York.

10. Pursuant to the NDA (defined below), defendants Ridgeline and Danzik agreed that any legal proceeding concerning the agreement would exclusively be brought in the federal or state court located in the City of New York, and the parties irrevocably consented and submitted to the personal jurisdiction of such courts.

## SUMMARY

11. Defendants CWT, CWT Canada, Resource, and Jean Noelting (together, the “CWT Defendants”), conspiring with Ridgeline and Danzik (the “Ridgeline Defendants”), have appropriated the consideration GEM is entitled to under a securities purchase agreement in which GEM began making a series of investments over a four month period which upon completion would have provided GEM with up to a 60% ownership in CWT. After GEM’s initial investments enabled CWT to stay in operation and realize improved financial conditions and prior to the expiration of the four-month investment period, the CWT Defendants achieved their theft by (i) summarily removing GEM from control of the management of CWT and then (ii) with no legal justification repudiating the securities purchase agreement, effectively capping GEM’s ownership percentage in CWT at 15.32%, when GEM had the contractual right to purchase a 60% ownership, and then (iii) selling 100% of CWT (including GEM’s 15.32% via drag along rights) to Ridgeline. By so doing, CWT Canada and Resource are pocketing the proceeds attributable to the incremental 44.68% ownership that GEM had a right to purchase. Ridgeline, which had previously agreed to purchase GEM’s 60% ownership, then breached its agreements with GEM and contracted to purchase all of CWT under terms more favorable to Ridgeline than its agreement with GEM.

12. Defendants’ stated reason for the repudiation of the securities purchase agreement, namely that GEM did not provide funding as requested which jeopardized CWT, is false and is directly contradicted by Danzik’s repeated statements to GEM and others, including one made less than two weeks before the start of this action, that CWT was cash flow positive. Moreover, GEM quadrupled CWT’s value during the time that Defendants now claim CWT was

jeopardized. However, upon the filing of this action, Danzik misrepresented to this Court that GEM had failed to heed his calls for capital and that such lack of funding “hurt relations with vendors and suppliers of CWT.” Such judicial statement was made to assist the CWT Defendants’ repudiation of the security purchase agreement, defendants’ agreement to sell all of CWT to Ridgeline and pocket the proceeds that GEM was entitled to contractually. However, Danzik’s judicial statement was false as two days later, Danzik publicly disclosed that CWT was cash flow positive, which is consistent with what he had been telling GEM at the time of the repudiations.

### **THE FACTS**

#### **Securities Purchase Agreement and Other Related Agreements**

13. GEM’s parent company first invested in CWT’s operating subsidiaries in 2010 with the arrangement of Debtor in Possession financing when CWT Inc. was in Chapter 11 reorganization in U.S. Bankruptcy Court in the Southern District of New York. At the time, CWT Inc. owned the Operating Subsidiaries. Thereafter, CWT Inc.’s ownership of the Operating Subsidiaries was effectively transferred to CWT.

14. In or around early 2012, Jean Noelting took over the management of CWT because he and/or CWT Canada had invested a substantial amount of money in CWT and the limited partnership had suffered substantial losses since 2010 under the previous management, that included defendant Jean Noelting and the principal of Resource, Bruce MacFarlane.

15. By November 2012, the Operating Subsidiaries were again in dire financial trouble and needed additional capital. At that time, CWT made an offer to raise \$4 Million for the Operating Subsidiaries. Upon information and belief, all of CWT’s prior investors declined to invest further.

16. In mid-November 2012, GEM offered to loan \$4 Million to CWT in exchange for an 80% ownership interest. Upon information and belief, GEM was the only entity that offered to invest in CWT.

17. In early December 2012, the CWT Defendants and GEM agreed to a 60% ownership interest in exchange for GEM's \$4 Million loan.

18. On December 5, 2012, GEM and CWT agreed to a Term Sheet that provided that GEM would invest a minimum of \$2.5 Million and a maximum of \$4 Million into the Operating Subsidiaries in exchange for (i) a note carrying interest at 12% per annum and (ii) up to a 60% ownership stake with "commensurate management control." Upon information and belief, a similar structure had been used for each round of previous investments in CWT, including the investment made by CWT Canada.

19. Before the transaction documents were finalized and in accordance with the Term Sheet, GEM made a bridge loan of \$250,000 to CWT as an advance of the \$4 Million investment inasmuch as the Operating Subsidiaries had depleted their working capital reserves, were in desperate need of cash, and were concerned that they would not be able to meet their payroll obligations owed to employees.

20. At the time, vendors had begun contacting one of the Operating Subsidiaries about unpaid bills and stating that they would withhold providing supplies if payment was not made.

21. In anticipation of the closing of its investment, in late December 2012 GEM introduced Ridgeline to manage CWT and the Operating Subsidiaries. GEM, after conducting a search, believed Ridgeline was an excellent synergistic fit with CWT's operations.

22. Ridgeline intended to purchase GEM's prospective 60% ownership in CWT and believed its management role would enable it to conduct due diligence for such purchase.

23. On December 14, 2012, CWT and GEM agreed to extend the closing date of the Term Sheet to December 21, 2012.

24. On December 20, 2012, the CWT Defendants formed RES Management Inc., a Delaware corporation (“RES Management”) for the express purpose of becoming the general partner of CWT and through which GEM could assert management control. In compliance with GEM’s condition of management authority, the CWT Defendants gave GEM stock and control of the Board of Directors of RES Management by permitting GEM to elect three out of five directors. RES Management was then named as the sole general partner of CWT in accordance with the parties’ written agreements.

25. On or about, December 21, 2012, GEM and CWT entered into a Securities Purchase Agreement (“Purchase Agreement”) a copy of which is annexed hereto as **Exhibit A**.

26. The Purchase Agreement states that RES Management is the general partner of CWT. (Ex. A, p.2). Pursuant to the Purchase Agreement, GEM was entitled to purchase up to a 60% interest in CWT and a note for a minimum investment of \$2.5 Million and a maximum investment of \$4 Million. Payments were to be made at either CWT’s request or GEM’s discretion from December 21 through April 30, 2013. (Ex. A §3.2(a)).

27. As a condition to the Purchase Agreement, Danzik was appointed as CEO of CWT. (Ex. A § 2.3(b)(v)). By the end of December, CWT’s management team, led by Jean Noelting, which had lost a significant amount of capital, was phased out.

28. Pursuant to a management agreement, the Ridgeline Defendants were given full control of all CWT accounts, including accounts receivable and payable.

29. Also on December 21, 2012 in conjunction with the Purchase Agreement, GEM, CWT Canada and Resource entered into a Stockholders Agreement (a copy of which is annexed hereto as **Exhibit B**) to memorialize their rights in RES Management as general partner of CWT.

30. The Stockholders Agreement provides that RES Management will serve as the general partner of CWT. It further provides that GEM shall elect three out of the five directors, giving GEM effective control of the general partner. In addition, it contemplates a potential sale of GEM's interest in CWT to Ridgeline in that GEM does not require shareholder approval to transfer its stock in RES Management to Ridgeline.

31. Also in conjunction with the Purchase Agreement, GEM, CWT Canada and Resource entered into a Waiver Agreement, dated December 21, 2012, in which CWT Canada and Resource agreed that any tag along rights they might have shall expressly not apply to any transfer, sale or assignment of GEM's interest in CWT to Ridgeline.

32. Finally, along with the Purchase Agreement, GEM, CWT Canada, Resource and RES Management entered into a First Amended and Restated Agreement of Limited Partnership in [CWT], dated December 21, 2012, (the "Limited Partnership Agreement") a copy of which is annexed hereto as **Exhibit C**. That agreement provides that management of CWT "shall be vested exclusively in the General Partner" and that the initial General Partner shall be RES Management.

33. On or about December 21, 2012, upon the execution of all of the transaction documents, GEM invested \$213,945.48, in CWT, which along with the bridge loan of \$250,000.00, resulted in a total sum of \$463,945.48.

## **CWT Becomes Cash Flow Positive After GEM Takes Charge of Management**

34. Pursuant to the Transaction Documents, which include the Purchase Agreement, the Limited Partnership Agreement, and all other documents or agreements executed in connection with the transaction contemplated under the Purchase Agreement, GEM took control of the management of CWT and implemented various changes to turn CWT's dire financial situation around.

35. Under GEM's management, by the end of January 2013, CWT became cash flow positive and the value of the company drastically increased. Whereas in late December 2012 CWT essentially sold 60% of its limited partnership interest to GEM for \$4 Million, by February, GEM, through its efforts and the new management it introduced to CWT, had at least quadrupled CWT's worth, as evidenced by GEM's agreement to sell its interest to Ridgeline (the "LOI" discussed and defined below).

36. By January 14, 2013, in response to GEM's request for a cash flow projection statement from CWT, Danzik reported to GEM that CWT's cash exceeded \$1 Million and stated that CWT foresaw a strong upcoming sales week.

37. By January 29, 2013, Danzik reported to GEM that a full audit of CWT was completed, payroll and insurance costs were reduced by over \$70,000 per week, raw material costs were reduced by 50%, the value of Renewable Identification Numbers ("RINS") was increased by 45%, losses greater than \$300,000 per month were stopped, and a vendor payback plan that stretched debt on the books for up to eight more months was developed.

38. With the progress CWT made while GEM was in control of management, CWT found that it did not immediately need capital. Indeed, up to that point, GEM had already invested \$464,849.57, including a small amount of interest that had accrued on the bridge loan

that was applied, and had not received any Subscription Requests (as defined in the Purchase Agreement).

39. On January 29, 2013, GEM wrote an email to Danzik stating “GEM has a \$4m commitment to CWT/RES, which we stand by. So far, we have not received any request from you for additional capital, but are prepared to fund its capital needs as you request in your role as Manager.”

40. The same day, Danzik responded to GEM’s email stating:

Your statement is fair, and correct. I am detailing today. However, since you are gaining equity for your share of CWT/RES in the RTO with RGP, your funding should be just based on a lump \$ 4MM as agreed contractually. I will however, detail what I think cash should be spent on. CWT/RES is at a point where very little CapEx is needed. The need is only for raw material (nice position to be in!).

41. Nonetheless, in February 2013, Danzik requested that GEM make a capital contribution of \$300,000. Pursuant to the Purchase Agreement, GEM requested certain financial information from CWT prior to payment of any Subscription Amount (as defined by the Purchase Agreement). After receiving the required documentation, GEM promptly invested \$350,515.46 of which after deducting certain fees, \$340,000 was paid to CWT.

42. On February 13, 2013, Danzik publicly disclosed that he is very pleased with the revenue run rate at CWT’s Carthage, MO facility.

43. In early March, GEM made an incremental investment of \$206,185.56.

44. By March 4, 2013, GEM had loaned just over \$1 Million to CWT in exchange for a pro-rated 15.32% ownership interest, or about one-fourth of the 60% GEM is entitled to purchase.

45. GEM promptly made payment to CWT following all Subscription Requests in full compliance with the terms of the Purchase Agreement and GEM intended to complete its

financing of CWT well before the April 30, 2013 deadline, as it was contractually entitled to complete the \$4 Million loan and purchase of the full 60% ownership of CWT.

**GEM'S Agreement to Sell Its Interest in CWT to Ridgeline**

46. In November 2012, Ridgeline expressed its interest in buying the CWT ownership and control interests that GEM was considering purchasing through the Purchase Agreement. On November 19, 2012, Danzik, individually and representing his affiliates and representatives (which includes Ridgeline), and GEM executed a Non-Disclosure and Non-Circumvention Agreement (the "NDA") to facilitate negotiations. A copy of the NDA is attached hereto as **Exhibit D.**

47. The NDA states that neither Danzik nor his affiliates or representative would discuss, solicit, or participate in a proposed investment with any person other than GEM, nor would they contact, attempt to contact, directly or indirectly, any party identified or introduced by GEM to Danzik or his affiliates or representatives.

48. As a result of the prospective sale to Ridgeline, on December 21, 2012, Danzik pledged 2,945,436 shares of his stock in Ridgeline to secure CWT's obligations under the Note issued by CWT to GEM under the Purchase Agreement.

49. In or around mid-February 2013, Ridgeline publicly announced that it was engaged to manage CWT's subsidiary's operations in Carthage, MO and that such position also allowed Ridgeline to obtain knowledge as part of its due diligence in assessing and negotiating a potential acquisition.

50. On or about February 27, 2013, GEM Group and GEM's parent, GEM Global Yield Fund Limited ("GEM Global") entered into a Letter of Intent with Ridgeline (the "LOI") to sell

its ownership rights in CWT to Ridgeline in exchange for \$15 Million payable in Ridgeline's stock issued at a certain discount which had a value far in excess of \$15 Million.

51. GEM Global assigned all of its rights and obligations under the LOI to GEM.

52. The LOI states in pertinent part, as follows:

Breakup fee: Upon the execution of this document, both Purchaser and Seller will be responsible to pay the respective counterparty US\$950,000.00 (Nine Hundred and Fifty Thousand Dollars) in the event such party refuses to honor the terms agreed to herein.

**Defendants' Scheme to Deprive GEM'S Benefit of the Bargain**

53. CWT Canada and Resource, after seeing the value GEM had created in CWT through its investment and management skills (more than quadrupling CWT's worth), no longer wanted GEM to reach the 60% ownership interest in CWT that GEM bargained for in the Purchase Agreement.

54. Realizing that the financial condition of the Operating Subsidiaries had vastly improved, Defendants conspired to cut GEM out and deprive GEM of the benefits of the Purchase Agreement, the LOI and the NDA, while taking full advantage of the alliance GEM formed through its introduction of the Ridgeline Defendants to the CWT Defendants.

55. On March 6, 2013, defendants Resource and CWT Canada executed a Written Consent purporting to remove RES Management as the General Partner of CWT and replacing it with an entity they control, CWT Enterprises (Canada) Inc. ("CWT II").

56. The Limited Partnership Agreement provides that the General Partner shall serve "until the earlier of its resignation and designation of its successor General Partner ... or on the date on which the certificate of cancellation of the Partnership has been filed with the

Department of State of Delaware.” (Ex. C, Art. IV, § 1). RES Management did not resign as General Partner.

57. Moreover, management control of CWT was part of the benefit of the bargain that GEM reached with CWT in return for its agreement to invest between \$2.5 Million and \$4 Million. If RES Management could simply be replaced through a vote of the majority, rather than managing until it resigned or the partnership dissolved as the first sentence of Article IV, § 1 reads, then GEM would lose the benefit of its bargain as contemplated by the Purchase Agreement.

58. Also by the first week of March, Defendants secretly agreed that the CWT Defendants would repudiate the Purchase Agreement and deem it terminated and that they would all maintain that GEM breached the Purchase Agreement, by allegedly failing to provide necessary capital, so that they could enter into an agreement in which Ridgeline purchases all ownership of CWT.

59. On March 7, 2013, in furtherance of the conspiracy and to create the appearance that CWT required capital, CWT offered to raise money by selling ownership rights in CWT to its limited partners consisting of up to 100,000 Class C Partnership Interests for a total price of \$1 Million on a pro rata basis according to each limited partner’s ownership percentage at the time (the “\$1 Million Offering”).

60. GEM offered to purchase all 100,000 Class C Partnership Interests, subscribing for \$1,000,000. However, defendants Resource and CWT Canada, consistent with the scheme to lock GEM in to its 15.32% interest, each subscribed for their pro rata share and thus GEM was allocated only its pro rata share of the Class C Partnership Interests.

61. Upon information and belief, CWT used the proceeds from the \$1 Million Offering to fund the first half of CWT II's purchase of Ridgeline common stock from Deja II, LLC at a below market price (the "Deja II Purchase"). Deja II, LLC, in an agreement signed by Elizabeth J. Danzik, agreed to sell CAD\$2,000,000.00 in Ridgeline common stock at a discount in exchange for CWT II's execution of a definitive agreement for the purchase of 100% of the ownership of CWT by Ridgeline (a deal GEM, as a limited partner in CWT, had not been made aware of until after the fact). The transaction was to be completed in two equal purchases, with proceeds from the first \$1,000,000 to be used to repay GEM's secured note and the proceeds from the other \$1,000,000 to be invested in Ridgeline.

62. GEM participated in the \$1 Million Offering to ensure it could at least maintain its 15.32% ownership interest in CWT and not become diluted by the offering. However, the CWT Defendants breached the provision of the Purchase Agreement that prohibits CWT from seeking investments from alternative sources until GEM has subscribed its minimum subscription amount of \$2.5 Million, and then only if GEM declines CWT's request that it make payment of additional subscription amounts. (Ex. A, § 3.2(a)).

**CWT Canada and Resource  
Usurp GEM's Deal with Ridgeline**

63. On March 8, 2013, GEM's counsel informed the CWT Defendants that they had breached the Transaction Documents and that GEM would seek injunctive relief if the CWT Defendants did not cease their breach and discuss a resolution.

64. On March 11, 2013, GEM commenced this action and moved for injunctive relief. Defendants filed an affidavit from Danzik, dated March 10, 2013, in which Danzik

misrepresented that CWT is suffering from a lack of capital funding from GEM, which has purportedly hurt relations with vendors and suppliers of CWT.

65. Danzik's affidavit was executed (i) only six days after GEM had provided funding to CWT; (ii) less than two weeks after Danzik indicated to GEM that CWT was cash flow positive; and (iii) about eleven days after Ridgeline executed the LOI to purchase GEM's 60% ownership.

66. Also on March 11, 2011, Defendants' conspiracy culminated in an agreement by Ridgeline (the "Unit Purchase Agreement") with CWT Canada, Resource, and CWT II to purchase all limited partnership interest in CWT for stock and debt. GEM, a limited partner in CWT, was not provided any advance notice of such agreement, but was named as a "Seller" in the agreement.

67. On March 12, 2013, Danzik, again directly contradicted his affidavit signed two days prior, by publicly disclosing in a broadcast call with stock analysts that CWT was cash flow positive and that Ridgeline had large corporate clients as well a tremendous amount of small customers positioning to start using CWT's facility.

68. Pursuant to the Unit Purchase Agreement, Ridgeline agreed to purchase all of the issued and outstanding units of capital stock in CWT, which consisted of GEM's 15.32% ownership and the remaining 84.68% owned by CWT Canada and Resource in the aggregate (a significantly higher percentage than the 40% they would be left with after selling the full 60% interest to GEM under the Purchase Agreement).

69. The Unit Purchase Agreement ignored the Purchase Agreement by stating in Section 3.3: "There are no Contracts relating to the issuance, sale or transfer of any equity securities or other securities of the Partnership."

70. However, as of the date of the Unit Purchase Agreement, GEM had received no notice that Defendants had repudiated the Purchase Agreement or that GEM had breached any of the terms of the Purchase Agreement or failed to comply with any Subscription Requests.

71. On March 18, 2013, CWT Canada and Resource executed an Amendment to the Unit Purchase Agreement that removed all reference to GEM as a direct party to the Unit Purchase Agreement. Instead, CWT Canada and Resource chose to utilize the drag-along rights contained in the Limited Partnership Agreement to sell GEM's interest to Ridgeline.

72. According to press releases,, Ridgeline purportedly completed its acquisition of all limited partnership interest in CWT on or about April 15, 2013.

73. On April 28, 2013, CWT II sent written notice of an offering to GEM, Resource, and CWT Canada, the former limited partners of CWT, purportedly to participate in the second half of the Deja II Purchase.

#### **CWT Repudiates the Purchase Agreement**

74. On March 15, 2013, GEM sent a Notice of Limited Partnership Meeting to CWT Canada, Resource, and CWT II to set up a meeting to discuss the \$1 Million Offering, current financial condition of CWT, the Purchase Agreement, and the relationship of the former with the Units Purchase Agreement.

75. The meeting was held via a telephone conference on March 21, 2013. Jean Noelting moderated the meeting and responded to GEM's questions to the extent his counsel allowed. At the meeting, Jean Noelting admitted that he had just received a financial update on CWT and was not in a position to comment regarding CWT's ability to sell RINs.

76. When asked to comment regarding any further Subscription Request, Jean Noelting informed GEM, for the first time, that it was CWT's position that the Purchase Agreement was

terminated due to GEM's alleged breach for failing to fund CWT. Mr. Noelting also unequivocally stated that no further partnership interests in CWT will be issued to GEM under the Purchase Agreement under any circumstances.

77. CWT's repudiation of the Purchase Agreement effectively capped GEM's limited partnership interest in CWT at 15.32%.

78. One day before the execution of the Unit Purchase Agreement and in opposition to GEM's application for injunctive relief, Danzik claimed that CWT was starved for cash and needed funding; however such fraudulent allegations are contrary to Danzik's reports to GEM just prior to the execution of the Unit Purchase Agreement and contradict Danzik's public disclosures to Ridgeline investors following the execution of the Unit Purchase Agreement. Upon information and belief, Danzik's desire to obtain a better deal for Ridgeline from CWT Canada and Resource led to his false allegations that GEM did not comply with its obligations under the Purchase Agreement.

79. By conspiring with Ridgeline and Danzik to secretly repudiate the Purchase Agreement, CWT Canada and Resource were enriched with a higher percentage from the sale under the Unit Purchase Agreement than they could have received had they not terminated GEM's right to receive its 60% interest in CWT. Ridgeline also obtained a better deal by ignoring its obligations under the NDA with GEM, as the Unit Purchase Agreement provides for better terms for Ridgeline in the long term than it had with GEM under the LOI.

80. Defendants ignored the four month period GEM had to complete its investment to claim that GEM should have advanced funds sooner. However, the only reason why GEM has paid for only one-fourth of its 60% interest is that the Operating Subsidiaries did not need the money sooner according to Danzik's representations prior to the commencement of this action.

81. Not only had there been no unpaid Subscription Requests made of GEM as of the first week of March 2013, but also, Danzik had reported that CWT held RINs which could be sold for nearly \$1 Million in cash. RINs are sold in the ordinary course of business and Danzik's representations that CWT had such valuable assets at its disposal shows that Danzik believed CWT was not in desperate need of capital.

**FIRST CAUSE OF ACTION**  
**(Breach of Purchase Agreement Against CWT)**

82. GEM repeats, reiterates, and realleges each and every allegation contained in paragraphs "1" through "81" of this complaint with the same force and effect as if fully set forth at length herein.

83. Based upon the foregoing, defendant CWT has breached the Purchase Agreement by repudiating it.

84. GEM at all relevant times intended to purchase the full 60% ownership in CWT and was fully capable of paying the remainder of the \$4 Million investment.

85. However, CWT, through Jean Noelting, stated unequivocally that it would not issue any further limited partnership interest in CWT to GEM in return for GEM's payment of the remaining amount of its investment under the Purchase Agreement.

86. GEM has performed its contractual obligations under the Purchase Agreement by timely making payments of Subscription Amounts as requested. Because of CWT's repudiation of the Purchase Agreement, however, GEM can no longer perform under the contract and is excused from any further obligation to pay the Minimum Subscription Amount (as defined in the Purchase Agreement).

87. CWT further breached the Purchase Agreement by raising capital to fund the Deja II Purchase in the \$1 Million Offering. GEM has been damaged in that it should receive a greater amount of Ridgeline stock under the Deja II Purchase agreement.

88. GEM has also been damaged by CWT's repudiation of the Purchase Agreement as it lost its ability to increase its percentage of limited partnership interest in CWT to 60% by providing funding. Moreover, GEM has been damaged by the repudiation as it lost its rights to receive the consideration Ridgeline agreed to pay to GEM.

89. Alternatively, GEM has been damaged by Defendants' actions that reduced GEM's consideration received from sale to Ridgeline under the Unit Purchase Agreement from 60% to 15.32%.

90. By reason of the foregoing, GEM demands a judgment against CWT awarding compensatory damages in excess of \$27 Million, the exact amount to be determined at trial.

**SECOND CAUSE OF ACTION**  
**(Breach of Limited Partnership Agreement Against  
CWT Canada, Resource, and Jean Noelting)**

91. GEM repeats, reiterates, and realleges each and every allegation contained in paragraphs "1" through "90" of this complaint with the same force and effect as if fully set forth at length herein.

92. The Limited Partnership Agreement states that "[t]he General Partner shall serve as the General Partner until the earlier of its resignation and designation of a successor General Partner designated by vote or written consent of the Majority of the Partners or the date on which the certificate of cancellation of the Partnership has been filed with the Department of State of Delaware... The initial General Partner shall be RES Management, Inc." (Ex. C, Art. IV, § 1).

93. It was understood that Art. IV, § 1 of the Limited Partnership Agreement meant that RES Management would not be displaced as General Partner until it resigned.

94. RES Management did not resign as General Partner, yet CWT Canada and Resource, under the purported authority of another section of Art. IV, § 1 of the Limited Partnership Agreement which relates to removal of General Partners after RES Management, executed the Written Consent to remove RES Management.

95. Based upon the foregoing, defendants CWT Canada and Resource have breached the Limited Partnership Agreement by purporting to remove RES Management as General Partner through the Written Consent and as part of Defendants' overall conspiracy.

96. After installing a new general partner, the CWT Defendants then used their control over CWT to repudiate the Purchase Agreement and negotiate the Unit Purchase Agreement which prevented GEM from completing the terms of its sale of a 60% interest in CWT to Ridgeline.

97. GEM has fully performed its contractual obligations under the Limited Partnership Agreement and has been damaged by defendants' breach of the contract.

98. By reason of the foregoing, GEM demands a judgment against CWT Canada, Resource, and Jean Noelting in an amount to be determined at trial.

**THIRD CAUSE OF ACTION**  
**(Breach of the Implied Covenant of Good  
Faith and Fair Dealing in Limited Partnership Agreement  
Against CWT Canada, Resource, and Jean Noelting)**

99. GEM repeats, reiterates, and realleges each and every allegation contained in paragraphs "1" through "98" of this complaint with the same force and effect as if fully set forth at length herein.

100. Resource and CWT Canada entered into the Limited Partnership Agreement with GEM in connection with GEM's commitment to invest capital in CWT as needed in return for management control and limited partnership interest in the company.

101. There was an implied obligation that CWT Canada and Resource would not remove RES Management as General Partner until after GEM had completed its investment under the Securities Purchase Agreement, defined in the Limited Partnership Agreement.

102. The Limited Partnership Agreement expressly states that GEM was going to sell its Class C Partnership interest to Ridgeline and makes various exceptions to allow for GEM to obtain its full 60% interest while managing CWT.

103. By executing the Written Consent, CWT Canada and Resource breach the implied obligation to maintain RES Management as General Partner while GEM completed its financing and GEM has been damaged by the breach.

104. By reason of the foregoing, CWT Canada and Resource breached the implied covenant of good faith and dealing regarding the Limited Partnership Agreement. Accordingly, GEM demands a judgment against CWT Canada, Resource, and Jean Noelting in an amount to be determined at trial.

**FOURTH CAUSE OF ACTION**  
**(Breach of the Implied Covenant of Good  
Faith and Fair Dealing in Stockholders Agreement Against  
CWT Canada, Resource, and Jean Noelting)**

105. GEM repeats, reiterates, and realleges each and every allegation contained in paragraphs "1" through "104" of this complaint with the same force and effect as if fully set forth at length herein.

106. CWT Canada, Resource, and GEM, as holders of Common Stock in RES Management, executed the Stockholders Agreement.

107. The purpose of the Stockholders Agreement was to assure continuity in the management and ownership of RES Management and CWT. It provides, “Stockholders believe it to be in their best interests and in the best interest of [RES Management] and [CWT] that they enter into an agreement for purposes of assuring continuity in the management and ownership of [RES Management] and [CWT].”

108. The Stockholders Agreement also provides that GEM will be entitled to elect 3 out of the 5 directors on RES Management’s board of directors so as to give GEM control of RES Management as the General Partner of CWT.

109. The Stockholders Agreement further contains a provision that requires the size of the board of directors and the number of directors that each stockholder is entitled to designate to be proportionally adjusted after April 30, 2013, the last day for GEM to invest in CWT in return for limited partnership interest in the company pursuant to the Purchase Agreement. Ex. A, §1.3.

110. CWT Canada and Resource thus had an implied obligation to maintain RES Management as the General Manager of CWT while GEM completed its investment in CWT.

111. CWT Canada and Resource breached that implied obligation by removing RES Management as the General Partner by executing the Written Consent and GEM has been damaged by the breach.

112. By reason of the foregoing, CWT Canada and Resource breached the implied covenant of good faith and dealing regarding the Stockholders Agreement. Accordingly, GEM demands a judgment against CWT Canada, Resource, and Jean Noelting in an amount to be determined at trial.

**FIFTH CAUSE OF ACTION**  
**(Tortious Interference with Business Relations  
Against CWT Defendants)**

113. GEM repeats, reiterates, and realleges each and every allegation contained in paragraphs “1” through “112” of this complaint with the same force and effect as if fully set forth at length herein.

114. GEM and Ridgeline agreed to all of the principal terms of a sale of GEM’s 60% unit share capital in CWT to Ridgeline for \$15 Million payable in Ridgeline’s stock (the “Sale”). On February 27, 2013, GEM and Ridgeline both executed the LOI agreeing to the principal terms of the Sale.

115. CWT Defendants were aware of the LOI between GEM and Ridgeline and had known all along that GEM intended to sell its position in CWT, including management control, to Ridgeline.

116. With that knowledge, defendants CWT Canada and Resource ousted RES Management as the General Partner of CWT.

117. CWT Defendants thereafter repudiated the Purchase Agreement and upon information and belief, informed Ridgeline that CWT would not issue to GEM any more limited partnership interests in CWT. CWT Defendants’ conduct was unlawful and wrongfully sought to destroy GEM’s relationship with the Ridgeline Defendants for CWT Defendants’ own benefit, despite the fact that GEM, prior to such events, had viewed CWT Canada and Resource as its partners in CWT, not as competitors.

118. Ridgeline then informed GEM that it would not proceed with the terms it agreed to under the LOI to purchase GEM’s 60% ownership and management interest in CWT.

119. Moreover, due to CWT Defendants' actions, GEM was unable to deliver on its obligation to Ridgeline to sell a 60% ownership interest in CWT with accompanying management control as a result of defendants' wrongful actions.

120. Prior to CWT Defendants' unauthorized conduct, GEM had business relations with Ridgeline, as is demonstrated by the LOI. GEM also had entered into the NDA with Danzik which was intended to bind all companies that Danzik controlled, namely Ridgeline.

121. CWT Defendants intentionally and wrongfully interfered with GEM's business relations with Ridgeline through unlawful means, including, but limited to, conspiring to repudiate the Purchase Agreement.

122. CWT Defendants were able to interfere with GEM's business relationship with Ridgeline only through their dishonest, unfair and improper tactics. Specifically, CWT Canada and Resource breached their obligations under the Stockholder Agreement and the Limited Partnership Agreement and ousted RES Management as General Partner. CWT then repudiated the Purchase Agreement in order to lock GEM's ownership percentage in CWT at 15.32% and sell all limited partnership interests in CWT to Ridgeline.

123. As a result of CWT Defendants' wrongful, malicious, intentional, deliberate, reckless and morally culpable conduct, GEM lost the business of and an opportunity with Ridgeline to GEM's detriment.

124. But for CWT Defendants' unlawful, wrongful, malicious, intentional, reckless and morally culpable conduct, Ridgeline would have pursued its purchase of GEM's ownership and management interest in CWT.

125. By reason of the foregoing, plaintiff demands judgment against CWT Defendants awarding compensatory damages in excess of \$27 Million, the exact amount to be determined at trial; and awarding punitive damages in an amount to be determined at trial.

**SIXTH CAUSE OF ACTION**  
**(Tortious Interference with Contract (Purchase Agreement))**  
**Against All Defendants, except CWT)**

126. GEM repeats, reiterates, and realleges each and every allegation contained in paragraphs “1” through “125” of this complaint with the same force and effect as if fully set forth at length herein.

127. The Unit Purchase Agreement, executed by Danzik on behalf of Ridgeline, Jean Noelting on behalf of CWT Canada, and Resource, states in Section 3.3: “There are no Contracts relating to the issuance, sale or transfer of any equity securities or other securities of the Partnership.” Defendants made such representation despite their knowledge of the existence of the Purchase Agreement, which relates to the issuance of limited partnership interests in CWT, that are equitable securities in CWT.

128. The Ridgeline Defendants were aware of the Purchase Agreement. Indeed, Ridgeline, through Danzik, executed the LOI relying on the condition that GEM would obtain control and interest in CWT pursuant to the terms of the Purchase Agreement.

129. CWT Canada and Resource, as limited partners of CWT, were also aware of the Purchase Agreement and executed various agreements in connection with the transaction contemplated under the Purchase Agreement.

130. The Ridgeline Defendants, CWT Canada, Resource, and Jean Noelting intentionally interfered with the Purchase Agreement by making a deal for the purchase all of units of interest

in CWT directly from CWT Canada and Resource and providing that CWT would not issue any further interests in the limited partnership to GEM pursuant to the Purchase Agreement.

131. Such Defendants' tortious interference led to CWT's repudiation of the Purchase Agreement and rendered it impossible for GEM to perform.

132. GEM has been damaged by the tortious interference.

133. By reason of the foregoing, plaintiff demands judgment against Defendants awarding compensatory damages in excess of \$27 Million, the exact amount to be determined at trial; and awarding punitive damages in an amount to be determined at trial.

**SEVENTH CAUSE OF ACTION**  
**(Breach of NDA Against Ridgeline and Danzik)**

134. GEM repeats, reiterates, and realleges each and every allegation contained in paragraphs "1" through "133" of this complaint with the same force and effect as if fully set forth at length herein.

135. GEM introduced Ridgeline and Danzik to CWT, Jean Noelting, CWT Canada, and Resource. GEM wanted to ensure that its investment in CWT remained valuable and believed that Ridgeline could help CWT become cash flow positive and profitable.

136. On November 19, 2012, GEM and Dennis Danzik, individually on behalf of Ridgeline, entered into the NDA.

137. Pursuant to the NDA, neither Danzik nor his affiliates (which include Ridgeline) would "contact, or attempt to contact, directly or indirectly, any party identified or introduced by GEM to DANZIK, its Affiliates and/or its Representatives in connection with the Proposed Investment." The Proposed Investment refers to the transaction that was memorialized in the Purchase Agreement.

138. Danzik and Ridgeline breached the NDA by directly contacting Jean Noelting, CWT Canada, and Resource regarding a purchase of 100% interest in CWT which culminated in the Unit Purchase Agreement.

139. GEM has performed its contractual obligations under the NDA and has been damaged by the breach of the NDA by Danzik and Ridgeline.

140. By reason of the foregoing, GEM demands a judgment against Ridgeline and Danzik awarding compensatory damages in excess of \$27 Million, the exact amount to be determined at trial.

**EIGHTH CAUSE OF ACTION**  
**(Tortious Interference with Contract (NDA))**  
**Against All CWT Defendants)**

141. GEM repeats, reiterates, and realleges each and every allegation contained in paragraphs “1” through “140” of this complaint with the same force and effect as if fully set forth at length herein.

142. The CWT Defendants were aware of the NDA as GEM disclosed its intention to sell its interest in CWT to Ridgeline.

143. The CWT Defendants intentionally interfered with the NDA by contracting with Ridgeline, through Danzik, to sell all limited partnership interests in CWT directly from them and providing that CWT would not issue any further limited partnership interests in CWT pursuant to the Purchase Agreement.

144. CWT Defendants’ tortious interference led to the Ridgeline Defendants’ breach of the NDA.

145. GEM has been damaged by CWT Defendants’ tortious interference.

146. By reason of the foregoing, plaintiff demands judgment against Defendants: Awarding compensatory damages in excess of \$27 Million, the exact amount to be determined at trial; and awarding punitive damages in an amount to be determined at trial.

**NINTH CAUSE OF ACTION**  
**(Conspiracy to Commit Torts Against All Defendants)**

147. GEM repeats, reiterates, and realleges each and every allegation contained in paragraphs “1” through “146” of this complaint with the same force and effect as if fully set forth at length herein.

148. Defendants conspired to tortiously interfere with both the Purchase Agreement and the NDA as part of their common scheme to oust GEM from control of CWT and deprive it of the benefit of its bargain. Defendants also conspired to tortiously interfere with GEM’s business relations with Ridgeline. Defendants agreed that CWT would repudiate the Purchase Agreement and went so far as to expressly deny the existence of the Purchase Agreement in the Unit Purchase Agreement.

149. Upon information and belief, Defendants also agreed that the Ridgeline Defendants would negotiate directly with Jean Noelting, representing CWT Canada, Resource, and CWT, all of whom were introduced to Danzik by GEM, despite their knowledge of the NDA.

150. Defendants’ overt action in furtherance of their agreement to tortiously interfere with the Purchase Agreement and the NDA is evident in the closing of the sale under the Unit Purchase Agreement.

151. By reason of the foregoing, plaintiff demands judgment holding Defendants jointly and severally liable under the Fifth Cause of Action for Tortious Interference with Business Relations, the Sixth Cause of Action for Tortious Interference with the Purchase Agreement and the Eight Cause of Action for Tortious Interference with the NDA.

**TENTH CAUSE OF ACTION**  
**(Breach of Contract Against Ridgeline)**

152. GEM repeats, reiterates, and realleges each and every allegation contained in paragraphs “1” through “151” of this complaint with the same force and effect as if fully set forth at length herein.

153. Pursuant to the breakup clause in the LOI, Ridgeline agreed to pay a breakup fee of \$950,000.00 (the “Breakup Fee”) if it refused to honor the terms of the LOI and purchase GEM’s interest in CWT. A copy of the LOI is attached hereto as **Exhibit E**.

154. In accordance with the breakup clause, Ridgeline’s execution of the Unit Purchase Agreement triggered Ridgeline’s obligation to pay GEM the Breakup Fee as Ridgeline chose not to honor the terms of the LOI.

155. Ridgeline has failed to pay GEM the Breakup Fee and such conduct constitutes a material breach of the breakup clause.

156. By reason of the foregoing, GEM demands a judgment against Ridgeline awarding compensatory damages in the amount of \$950,000.00 plus interest.

**WHEREFORE**, Plaintiff GEM Holdco, LLC demands judgment against Defendants as follows:

- A. On the first cause of action for breach of the Purchase Agreement, awarding compensatory damages against CWT in excess of \$27 Million, the exact amount to be determined at trial.
- B. On the second cause of action for breach of the Limited Partnership Agreement, awarding compensatory damages against CWT Canada, Resource, and Jean Noelting in an amount to be determined at trial.

- C. On the third cause of action for breach of the implied covenant of good faith and fair dealing regarding the Limited Partnership Agreement, awarding compensatory damages against CWT Canada, Resource, and Jean Noelting in an amount to be determined at trial.
- D. On the fourth cause of action for breach of the implied covenant of good faith and fair dealing regarding the Stockholders Agreement, awarding compensatory damages against CWT Canada, Resource, and Jean Noelting in an amount to be determined at trial.
- E. On the fifth cause of action for tortious interference with business relations, awarding compensatory damages against CWT Defendants in excess of \$27 Million dollars, the exact amount to be determined at trial; and awarding punitive damages in an amount to be determined at trial.
- F. In the sixth cause of action for tortious interference with contract, awarding compensatory damages against all Defendants, except CWT, in excess of \$27 Million dollars, the exact amount to be determined at trial; and awarding punitive damages in an amount to be determined at trial.
- G. In the seventh cause of action for breach of contract regarding the NDA, awarding compensatory damages against Ridgeline and Danzik in excess of \$27 Million dollars, the exact amount to be determined at trial.
- H. In the eighth cause of action for tortious interference with contract, awarding compensatory damages against CWT Defendants in excess of \$27 Million dollars, the exact amount to be determined at trial; and awarding punitive damages in an amount to be determined at trial.
- I. In the ninth cause of action for conspiring to commit the above-pleaded torts, holding

Defendants jointly and severally liable under the Fifth Cause of Action, the Sixth Cause of Action, and the Eighth Cause of Action.

- J. In the tenth cause of action for breach of contract, awarding compensatory damages in the amount of \$950,000.00, plus interest.
- K. Granting such additional relief as the Court deems just, proper, and equitable, together with the costs and disbursements of this action.

Dated: April 29, 2013  
New York, NY

VENTURINI & ASSOCIATES

By: 

August C. Venturini  
*Attorneys for Plaintiff GEM Holdco, LLC*  
230 Park Avenue, Suite 545  
New York, NY 10169  
Tel: (212) 826-6800

VERIFICATION

STATE OF NEW YORK     )  
COUNTY OF NEW YORK ) ss.:

EDWARD J. TOBIN, being duly sworn, deposes and says:

1. I am a manager of plaintiff GEM Holdco, LLC in this action.
2. I have read the foregoing Amended Verified Complaint, and I know the contents thereof to be true to my knowledge, except as to matters stated to be alleged upon information and belief, and as to those matters, I believe them to be true.

GEM Holdco, LLC

By:   
EDWARD J. TOBIN, Manager

Sworn to before me this  
29 day of April 2013

  
NOTARY PUBLIC

AUGUST C. VENTURINI  
Notary Public, State of New York  
No., 31-5013877  
Qualified in New York County  
Commission Expires July 15, 2015