UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-15211

In the Matter of

GREGG C. LORENZO,
FRANCIS V. LORENZO, and
CHARLES VISTA, LLC,

Respondents.

DIVISION OF ENFORCEMENT'S RESPONSE TO RESPODENT FRANCIS V. LORENZO'S NOTICE OF SUPPLEMENTAL AUTHORITY

The Division of Enforcement ("Division") respectfully submits this response to Respondent Francis V. Lorenzo's ("Lorenzo" or "Respondent") Notice of Supplemental Authority, filed January 16, 2015. Lorenzo claims that a December 24, 2014 decision in *Gavin/Solmonese LLC v. D'Arnaud-Taylor, et al.*, 13-cv-6400, 2014 WL 7338718 (S.D.N.Y. December 24, 2014), supports his pending appeal of Initial Decision 544. Specifically, Lorenzo relies upon the *Gavin* Court's dismissal of certain claims against him based upon the "maker" requirement discussed in *Janus Capital Group, Inc. v. First Derivative Traders,* 131 S.Ct. 2296 (2011). Contrary to Lorenzo's argument, however, the *Gavin* decision does not support his appeal. To the contrary, to the extent applicable, *Gavin* holds the opposite of what Lorenzo claims -- if anything, *Gavin* holds that *Janus* does *not* preclude the Division's fraud claims against Lorenzo based upon his false October 14, 2009 emails at issue.

The *Gavin* plaintiff is W2E's bankruptcy trustee, who alleges, *inter alia*, that Charles Vista, Gregg Lorenzo, and Francis Lorenzo (the "Vista defendants") fraudulently sold W2E

securities by making false and misleading statements concerning W2E. *Gavin*, 2014 WL 7338718, at *2, 7-11. The *Gavin* Complaint alleges two distinct categories of false statements: (1) those contained in W2E's private offering memorandum ("POM") -- which the Vista defendants allegedly disseminated to potential W2E investors; and (2) those made directly by Gregg and Frank Lorenzo to potential W2E investors -- either in person, by telephone, or by email (including the two October 14, 2009 Frank Lorenzo emails at issue in this case). Id.; *see also*, *Gavin* Complaint (attached as Exhibit 1 hereto).[1] The *Gavin* Court dismissed only the *first* category of fraud claims on *Janus* grounds, reasoning that, because the Vista defendants were not "corporate officers of W2E" and "did not sign either of the POMs" (and did not otherwise have "ultimate authority over" the statements contained therein), they were not the "makers" of those false statements per *Janus* and, thus, could not be held liable under Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"). *Gavin*, 2014 WL 7338718, at *7.

The *Gavin* Court, however, did *not* dismiss the *second* set of fraud claims on *Janus* grounds. Rather, the Court dismissed those claims on the separate (and unrelated) ground that the Complaint failed adequately to allege investor "reliance" on the Vista defendants' direct false statements (an essential element of a private securities fraud claim). *Id.*, at *8-10.[2] *Gavin* thus implicitly held that *Janus* did *not* require dismissal of the second set of claims (or otherwise apply to them), presumably because -- unlike the POM-based claims – the second set of fraud claims were predicated upon statements that the Vista defendants personally made, directly to

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[1] The *Gavin* Complaint's fraud allegations concerning Frank Lorenzo's October 14, 2009 emails are at ¶¶ 134-142 of the Complaint.

[2] "'Justifiable reliance,' however, is not an element of an SEC enforcement action" under Exchange Act § 10(b) or Rule 10b-5. *SEC v. Morgan Keegan & Co., Inc.*, 678 F.3d 1233, 1244 (11th Cir. 2012).

potential W2E investors. *See id.*, at *7 (explaining *Janus*). Significantly, among that second set of false statements alleged in the *Gavin* Complaint are Frank Lorenzo's October 14, 2009 emails at issue in this case (which the *Gavin* Court did *not* dismiss on *Janus* grounds). Thus, far from supporting Frank Lorenzo's *Janus* argument, the *Gavin* decision implicitly rejected it, as should the Commission in deciding this appeal.

In his Notice of Supplemental Authority, Frank Lorenzo further erroneously claims that W2E was the "maker" of Lorenzo's October 14 email statements because Lorenzo allegedly obtained the information in those emails from W2E. Lorenzo thus turns *Janus* on its head. As we point out in our brief in support of this appeal, *Janus* expressly held that the "maker" of a statement for Section 10(b) purposes is the person who actually "delivers" the statement and, thus, controls its content. Thus, regardless of the original source of the information, where an individual delivers it and has "ultimate authority" over the content of what is said and how it that content is delivered, that individual "makes" the statement for *Janus* purpose (in this case, Frank Lorenzo, by his own emails). *See Janus*, 131 S.Ct. at 2302. Indeed, Lorenzo admitted at trial that he authored the false and misleading emails, that those emails contained his signature block, and that he sent them. (See Division's Memorandum of Law in Opposition to Lorenzo's Appeal and in Support of the Division's Cross-Appeal, from Initial Decision Release No. 544 ("Division Memorandum"), at 7-8, 14.)

Lorenzo's argument also confuses -- apparently intentionally -- the Division's fraud claim against him in this case. For example, Lorenzo claims that, in sending his false October 14, 2009 email -- stating that W2E had over $10 million in confirmed assets -- he relied upon a June 2009 W2E Form 8-K. (Lorenzo Notice, at 2.) However, the Division proved at trial in this case that, well before October 14, Lorenzo received, read, and understood public W2E filings --

and an email from W2E's CFO – expressly revising its Form 8-K financial statements by, among other things, writing down virtually all of its assets (including the $10 million asset that Lorenzo claims in his October 14 emails). (See Division Memorandum, at 6-7.) Thus, as Lorenzo well knows, not only did W2E not "make" the statement in his email concerning a supposed $10 million asset; it had expressly and publicly repudiated any such statement well prior to October 14, 2009.

For the foregoing reasons, as well as those set forth in the Division's previously-filed brief in this appeal, the Division respectfully submits that the *Gavin* decision supports the Division's case against Lorenzo; and the Division respectfully requests that the Commission deny Frank Lorenzo's appeal and grant the Division's pending cross-appeal.

Dated: January 20, 2015

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EXHIBIT 1

THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

13 CIV 6400

GAVIN/SOLMONESE LLC, the Liquidating Trustee of the Waste2Energy Liquidating Trust created in accordance with the confirmed Chapter 11 Plan of Reorganization for WASTE2ENERGY HOLDINGS, INC. WASTE2ENERGY, INC.; WASTE2ENERGY GROUP HOLDINGS PLC; AND WASTE2ENERGY TECHNOLOGIES INTERNATIONAL LTD.,

Plaintiff,

- against -

CHRISTOPHER D'ARNAUD-TAYLOR, PETER BOHAN, JOHN JOSEPH MURPHY, CHARLES VISTA, LLC, GREGG LORENZO, AND FRANCIS LORENZO,

Defendants.

Civil Action No.: _____

COMPLAINT

JURY TRIAL DEMANDED

Plaintiff Gavin/Solmonese LLC brings this action in its capacity as Liquidating Trustee of the Waste2Energy Liquidating Trust ("W2E Trust") created in accordance with the confirmed Chapter 11 Plan of Reorganization for Waste2Energy Holdings, Inc. ("W2E Holdings"); Waste2Energy, Inc. ("W2E Inc."); Waste2Energy Group Holdings PLC ("W2E PLC"); and Waste2Energy Technologies International Ltd. ("W2E Technologies") (collectively, "W2E" or the "Company"), against defendants Christopher D'Arnaud-Taylor ("Taylor"), Peter Bohan ("Bohan"), John Joseph Murphy ("Murphy"), Charles Vista, LLC ("Vista"), Gregg Lorenzo ("GLorenzo"), and Francis Lorenzo ("FLorenzo") ("collectively, the "Defendants"), and alleges as follows:

NATURE OF THE ACTION

1. Beginning in 2009, each of the Defendants (except Murphy) made reckless material misrepresentations to prospective investors about the Company.

2. Moreover, Defendants recklessly omitted material information from communications with prospective investors and unreasonably overvalued the Company, its debt securities, its business and its prospects.

3. More than forty unsophisticated investors relied on Defendants' material misrepresentations and invested significant sums in the Company.

4. Defendant Murphy, for his part, disregarded his fiduciary duties to the Company and engaged in self-dealing, causing substantial harm to the Company to the detriment of its creditors.

5. In due course, Defendants' blind ambition, mismanagement, and breaches of fiduciary duty sealed W2E's fate. This action seeks compensation for losses sustained by the Company and its creditors.

6. W2E was supposed to design and construct a waste-to-energy gasification facility in the Dargavel area of Dumfries, Scotland (the "Dargavel Facility" or "Dargavel Project") for its one customer, Ascot Environmental Ltd ("Ascot"). The Dargavel Facility was touted as the prototype facility upon which all future facilities were to be based.

7. By late 2009, however, W2E had received virtually all of the Ascot contract payments and the Dargavel Facility was years and hundreds of thousands, if not millions, of dollars from completion.

8. Blinded by a delusional belief that their failing project could be saved by a capital infusion, Defendants Taylor and Bohan, both W2E directors and/or officers, teamed with a

broker, Gregg Lorenzo, and a banker named Francis Lorenzo, to raise capital for the Dargavel Project.

9. Despite having substantial experience in marketing securities, the Lorenzos recklessly relied entirely on Taylor and Bohan's wishful representations in marketing the speculative debentures to prospective investors rather than reviewing objective data about the Company before marketing its securities.

10. Having been provided with nothing more than the Lorenzos' reiteration and exaggeration of Taylor and Bohan's unreasonably positive outlook on the Company's prospects, unsuspecting investors were recklessly mislead about the safety of their investments, W2E's financial condition, and the likelihood that the Dargavel Facility would be successfully completed.

11. For example, Defendants recklessly disregarded facts that would have demonstrated that the following statements were false, but nevertheless made the statements to potential investors (hereinafter defined) in an effort to obtain capital for the struggling project. Specifically, Defendants misrepresented to investors:

(i) W2E had a contract with Ascot worth $100-$200 million when, in fact, Defendants had access to information that W2E's only guaranteed contract with Ascot was only for a little more than €3 million and that W2E had already received and spent the vast majority those funds;

(ii) W2E had $7 million in liquid assets when, in fact, Defendants had access to information that such a total was entirely speculative as it was predicated on certain contracts being closed; however, at the time of the debenture offering, the Company had at most $200,000 in liquid assets;

(iii) W2E was likely to be listed on NASDAQ when, in fact, it was in danger of being de-listed from the OTCBB trading venue, which had a much less demanding listing requirement than NASDAQ;

(iv) the debentures W2E was offering would be senior to W2E's existing debt when in fact they would be on par with all of W2E Holdings' other debts and subordinate to all debts directly incurred by W2E Holdings' subsidiaries;

(v) the Dargavel Facility was virtually complete when, in fact, Defendants had access to information that showed that it was years away from completion;

(vi) W2E had over $10 million in confirmed assets when, in fact, Defendants had access to information that showed that W2E had written down the value of certain of its acquired intellectual property to zero and the "know how" it had was subject to competing ownership claims by Ascot and was of questionable monetary value; and

(vii) W2E had multiple purchase orders and letters of intent for over $300 million of future business when, in fact, Defendants had access to information that W2E had no binding letters of intent and negligible purchase orders.

12. In addition, Defendants recklessly disregarded facts relevant to reasonable investor and thereby failed to convey those facts to the purchasers of the debentures. Such facts include, specifically, the identity of the person who was running the Dargavel Project, W2E's dire financial condition, and significant problems, disputes and operational deficiencies at the Dargavel Facility.

13. Indeed, the misrepresentations and omissions to the debenture purchasers (hereinafter defined) were so substantial that the Securities and Exchange Commission ("SEC") filed charges against some of these Defendants.

14. Making matters worse, Murphy, the manager chosen by Taylor and Bohan to run the Dargavel Project, greatly harmed W2E by mismanaging the project and by acting in his own interests at the expense of the Company.

15. Murphy, for example: (i) used corporate funds to sustain a lavish lifestyle while the Company was cash-strapped; (ii) abused and alienated senior managers to the point that W2E's most important employee – its Chief Technology Officer ("CTO") and the developer of the very technology that was at the core of the Dargavel Project - left the Company, and; (iii) mistreated W2E's potential clients.

16. All the while, Taylor disregarded Murphy's mismanagement. In fact, Taylor even promoted Murphy to the position of Chief Executive Officer ("CEO") of W2E Holdings in addition to having previously given Murphy control of the Company's offshore subsidiary, which held all of the Company's intellectual property.

17. Taylor and Murphy also caused W2E to ignore securities laws by, among other things, filing delinquent and inadequate securities filings.

18. Bohan, as CEO, recklessly turned a blind eye to many of the aforementioned facts and, as a result, failed to prevent Taylor's incompetence and Murphy's mismanagement from destroying W2E.

19. On August 8, 2011, certain of W2E's creditors filed an involuntary petition against W2E Holdings requesting: (i) an order of the United States Bankruptcy Court for the District of Delaware for relief under Chapter 11 of the United States Bankruptcy Code; (ii) removal of Taylor and Murphy as officers and/or directors of W2E; and (iii) appointment of a Chapter 11 trustee.

20. It was only after obtaining discovery in the bankruptcy and getting some limited access to Company records that the debenture purchasers learned the reality of W2E's situation.

21. Defendants' reckless acts and omissions and breaches of fiduciary duty damaged W2E and caused W2E's creditors to suffer substantial losses for which compensation is sought in this action.

JURISDICTION AND VENUE

22. Plaintiff's principal claims arise under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "1934 Act") (15 U.S.C.A. §§ 78j(b), 78(t)), and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5).

23. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §1331 and Section 27 of the 1934 Act, (15 U.S.C.A. § 78aa). This Court also has supplemental jurisdiction over Plaintiff's state law claims pursuant to 28 U.S.C. §1367(a). Additionally, this Court has jurisdiction based on 28 U.S.C. § 1332 in that there is complete diversity of citizenship between Plaintiff and Defendants and the amount in controversy exceeds the statutory jurisdictional threshold.

24. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the 1934 Act because a substantial part of the events or omissions giving rise to the action occurred in this District. Additionally, several Defendants reside and/or transact business in this District.

25. In connection with the acts, conduct and other wrongs complained of herein, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce and the United States mails, including telephonic communications.

PARTIES

26. Plaintiff is the Liquidating Trustee under the W2E Trust, established pursuant to W2E's Chapter 11 Plan of Reorganization (the "Plan") as confirmed by the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The Bankruptcy Court entered an Order confirming the Plan on August 14, 2013. The Plan directs the creation of the W2E Trust. Certain of the creditors assigned their claims against Defendants to the W2E Trust. Plaintiff's principal place of business is Delaware.

27. Taylor is, upon information and belief, a United States citizen and a resident of the State of New York. From the formation of W2E Inc. in April 2007 until approximately September 2011, among other positions he held at W2E Inc., Taylor served as Chairman of its Board and was its sole director. From the formation of W2E Holdings in May 2009 until approximately September 2011, Taylor served as Chairman of its Board and sole director. He also served as CEO of W2E Inc. from April 2007 to September 2009 and served as CEO of W2E Holdings from W2E Holdings' formation in May 2009 until September 2009. Even after he resigned as CEO of W2E Inc. and W2E Holdings, Taylor continued to act as an as an officer of both entities, was actively involved in the day-to-day operations of the Company and its subsidiaries and had the final say on all significant material decisions until the appointment of the Chapter 11 trustee. At all relevant times herein, Taylor was also a managing director of W2E PLC and W2E Technologies.

28. Murphy is, upon information and belief, a United States citizen and resident of the State of Florida. Upon information and belief Murphy was and is the managing director of Atlantic Strategy Advisors, LLC ("ASA"). From at least January 2009 to January 2012, Murphy was a managing director of all W2E subsidiaries organized in the Isle of Man ("IOM") and, through his company, ASA, the "consultant" in charge of the Dargavel Project. From May 2011

until September 2011, Murphy was CEO of W2E Holdings and W2E Inc. At all relevant times herein, however, Murphy was a *de facto* officer of W2E Inc. and W2E Holdings, and had ultimate authority over the Dargavel Project.

29. Bohan is, upon information and belief, a United States citizen and a resident of the State of South Carolina. Bohan was the Chief Operating Officer ("COO") and President of W2E Inc. from September 2008 to September 2009 and COO and President of W2E Holdings from May 2009 to September 2009. From September 2009 to May 2011, Bohan was CEO of W2E Inc. and W2E Holdings.

30. Vista is a limited liability company and, at all relevant times herein, a registered broker-dealer in the State of New York.

31. GLorenzo is, upon information and belief, a United States citizen and a resident of the State of New York. GLorenzo is the indirect owner of Vista. GLorenzo's indirect ownership of Vista stems from his status as the sole shareholder and managing member of GJL Holdings, LLC ("GJL"), a New York limited liability company that wholly owns Vista.

32. FLorenzo is, upon information and belief, a United States citizen and a resident of the State of New Jersey. At all relevant times herein, FLorenzo was head of investment banking at Vista.

FACTUAL BACKGROUND

Formation of W2E Entities and Affiliated Companies

33. W2E Inc. was incorporated on or about April 10, 2007.

34. In June 2007, W2E Inc. issued approximately 21 million shares of common stock to a group of individuals and entities. Taylor was issued approximately sixty percent (60%) of W2E Inc.'s common stock.

35. Taylor was Chairman and the sole director of W2E Inc. and W2E Holdings from their formation to on or about the entry of the order for relief by the United States Bankruptcy Court for the District of Delaware.

36. In August 2007, W2E Inc. made the first of several private placement offerings of its securities, selling 11,867,080 shares of common stock to 123 investors for $5,933,490.

37. A substantial portion of the money raised from this initial private placement was used to purchase 95% of the shares of a company called Enerwaste International Corporation ("EIC") from Thomas L. Dutcher. On or about July 10, 2007, W2E Inc. and Dutcher executed a stock purchase agreement pursuant to which W2E Inc. agreed to buy Dutcher's shares in EIC for $5 million, which was later reduced to $2,625,000. In November 2007, EIC became a subsidiary of W2E Inc.

38. EIC's only material asset was its 50% ownership interest in Enerwaste Europe Ltd. ("EE"). EE's other 50% owner was Icelandic Environmental ("IE"). IE was owned and controlled by Friðfinnur Einarsson ("Finni"). Finni is an engineer who had developed a technology referred to as a "solid waste conversion and gasification process" for which he had applied for patents.

39. In materials distributed to potential investors, W2E described this technology as a "continuous batch thermal gasification technology." W2E touted the process as a leading edge technology in converting solid organic wastes, through a proprietary continuous "Batch Oxidation System" ("BOS"), into a non-toxic ash residue and synthetic gas.

40. The process was intended to dispose of organic wastes in a clean, environmentally-friendly manner, while also providing energy that could be used to propel electrical turbines to create electricity for sale.

41. At the time W2E Inc. acquired the shares of EIC, EE was in the process of completing, or had just completed, a small prototype waste-to-energy facility in Husavik, Iceland. A few months prior, EE had signed its first (and only) contract to design and build a much larger facility (i.e. the Dargavel Project) for Ascot Environmental Ltd., a UK company ("Ascot") in Dumfries, Scotland.

42. Finni had executed the agreement with Ascot on behalf of EE for a total cost of €4,695,633 (the "Ascot Agreement"). With the signing of the Ascot Agreement, in May 2007, EE began designing the Dargavel Project.

43. Upon information and belief, none of W2E Inc.'s officers or directors had the scientific or engineering knowledge to design and construct the Dargavel Project. That expertise rested with Finni and his team from IE.

44. In the spring of 2008, W2E Inc. formed a wholly-owned subsidiary, EnerWaste, Inc., to acquire Finni and IE's 50% interest in EE through a stock purchase agreement. By agreement dated June 16, 2008, W2E Inc., through EnerWaste, Inc., acquired IE's share of EE by exchanging those shares with Finni for approximately 6 million shares of W2E Inc. stock, plus the issuance of a small promissory note.

45. As part of the transaction, IE and/or Finni assigned all of their current and future rights in all "intellectual property," defined as all inventions, whether patentable or not, all improvements thereto, and all "patents, patent applications, patent disclosures, together with all re-issuance, continuations-in-part, revisions, extensions and re-examinations thereof," with respect to the business of EE to EnerWaste, Inc. or to W2E Inc.

46. Finni was installed as EE's CEO and CTO, and two other EE employees, Steven Cochrane ("Cochrane") and J. Douglas Pitts ("Pitts"), remained as senior officers, Cochrane as the COO and "reserve chairman," and Pitts as President and Chairman of the Board of Directors.

47. Finni and his team, as the only individuals with engineering experience and skills, were essential to the success of the Dargavel Project, a point disclosed to prospective purchasers of the debentures.

48. Within months of signing the Ascot Agreement, W2E claimed in its public filing that EE had suffered crippling financial losses resulting from the collapse of the Icelandic banking system.

49. On or about November 10, 2008, Ascot and EE terminated their agreement for the design and construction of the Dargavel Facility.

50. Ascot then contracted with a newly-formed IOM subsidiary of W2E Inc. -- Waste2Energy Limited ("W2E IOM") (the "Ascot Contract") -- for the same work.[1] W2E Inc. guaranteed performance of the Ascot Contract.

51. The Ascot Contract obligated W2E IOM to complete the design and construction of the Dargavel Facility as a "turn key operation." Once the Dargavel Facility was operational, it was to be turned over to its owner, Ascot.

52. In or about January 2009, Taylor hired Murphy, through his company ASA, as a "consultant" to manage the Dargavel Project, W2E's most significant asset. Taylor also appointed Murphy as a managing director of each of the IOM subsidiaries.

[1] During 2008 and 2009, W2E Inc. or W2E Holdings incorporated, or caused to be incorporated, a number of IOM and United Kingdom subsidiaries, including W2E IOM, W2E PLC, W2E Technologies, and Waste2Energy Engineering Limited ("W2E Engineering") which was incorporated in Scotland. In February 2009, on a petition of a creditor, EE was declared bankrupt. W2E Engineering was also the subject of insolvency proceedings in Scotland in 2011.

53. Separately, according to W2E's SEC filings, Maven Media Holdings, Inc. ("Maven Media") was formed in 2008. In May 2009, through a reverse merger, Maven Media's wholly-owned subsidiary, Waste2Energy Acquisition Co. ("W2E Acquisition"), acquired W2E Inc. In July 2009, Maven Media changed its name to W2E Holdings.

54. With the exception of the Ascot Contract and the prototype facility in Husavik, the Company never executed any contracts for the design and construction of a gasification facility.

Formation of Vista and W2E's Relationship with Vista, GLorenzo, and FLorenzo

55. Beginning in or about March 2009, W2E, through Taylor and Bohan, entered into various investment banking, placement agent, and management and consulting services agreements with Vista, a New York-based registered broker-dealer indirectly owned by GLorenzo.

56. Taylor and Bohan recklessly disregarded GLorenzo's history of securities violations in deciding to partner with Vista.

57. Due diligence by Taylor and Bohan would have revealed, for example, that in September 2005, GLorenzo joined Mercer Capital ("Mercer"), a now-defunct New York broker-dealer. Shortly thereafter, GLorenzo settled civil fraud and other charges with the State of Montana arising from his prior employment at a different brokerage firm. He also agreed to withdraw his securities license in Montana for two years and pay a $35,000 fine.

58. In a separate matter, in February 2007, the National Association of Securities Dealers found that Mercer and GLorenzo had violated agreements with the New Jersey and Indiana securities authorities, which had imposed strict supervision requirements on GLorenzo at Mercer.

59. In January 2008, GLorenzo left Mercer and joined John Thomas Financial, another New York-based registered broker-dealer. In February 2008, GLorenzo and John Thomas

Financial entered into a consent order (the "Iowa Consent Order") with the Iowa Securities and Regulated Industries Bureau requiring heightened supervision of GLorenzo and precluding him from performing supervisory responsibilities for two years.

60. In February 2009, through GJL, a limited liability company in which he is the sole shareholder and managing member, GLorenzo purchased a registered broker-dealer shell company called DC Evans and Company LLC and renamed it Charles Vista, LLC.

61. In a July 16, 2009 Agreement and Order with the Idaho Department of Finance, Idaho v. John Thomas Financial et al., Docket No. 2008-7-11, the Idaho Securities Division sanctioned John Thomas Financial and GLorenzo, among others, for negligently failing to disclose the Iowa Consent Order (the "Idaho Consent Order"). The Idaho Consent Order directed GLorenzo to withdraw his application for registration as an investment adviser representative and to pay a civil penalty.

62. On December 16, 2009, the Financial Industry Regulatory Authority ("FINRA") denied Vista's application to transfer membership from DC Evans to Vista. On August 10, 2010, FINRA upheld its earlier decision, citing GLorenzo's regulatory history.

63. At all relevant times herein, GLorenzo operated Vista in New York City, New York. Although the indirect owner of Vista, GLorenzo officially has no supervisory title and is listed only as a registered representative at Vista.

64. Upon information and belief, GLorenzo made FLorenzo head of investment banking at Vista, in an effort to hide his past and allow Vista to become a member of FINRA.[2]

65. Despite his lack of a managerial title, GLorenzo controlled Vista, a fact known by Taylor and Bohan.

[2] Like GLorenzo, FLorenzo began working at Mercer Capital in February 2007. FLorenzo then followed GLorenzo to John Thomas Financial and Vista.

66. Notwithstanding GLorenzo's history, for a period beginning in or about September 2009 through May 2010, Vista was the exclusive placement agent for the issuance of W2E debentures (the "Debentures" or the "W2E Debentures") which were convertible to W2E stock (the "Debenture Offering").

67. Vista had a significant financial interest in the Debenture Offering. According to its agreements with W2E, Vista was to receive: (1) a 10% commission on the gross proceeds of all Debenture sales (which, if fully subscribed, would equal $1.5 million); (2) a 3% expense allowance on the same proceeds ($450,000 assuming the Debenture Offering was fully subscribed); (3) a consulting fee of $10,000 per month for twelve months starting at the initial closing of the Debenture Offering (another $120,000); (4) an investment banking fee equal to $125,000 for each $2,500,000 of Debentures sold, (another $750,000); (5) a 13% commission/expense allowance upon the exercise of the warrants issued to the purchasers of the Debentures (another $1,950,000); and (6) a warrant to purchase up to 4.5 % of W2E's outstanding shares proportionate to the amount of Debentures sold (at a $.01 exercise price). Pursuant to these contract provisions, W2E was contractually obligated to pay Vista at least $4,770,000, assuming the Debenture Offering was fully subscribed.

68. Additionally, through various agreements with W2E, GLorenzo and FLorenzo, through Vista, were given extraordinary access to W2E's business, financials and Board of Directors. Vista was retained to provide W2E with strategic corporate planning, and long-term investment policies, including revisions of W2E's business plan, advice and assistance in identifying and evaluating merger, acquisition, joint venture, restructuring proposals, including assistance in negotiations and discussions pertaining thereto, and to act on behalf of W2E with

respect to entering into contracts with investors and arranging investments in W2E. Vista was also granted authority to attend W2E's Board of Director meetings.

69. Having had access to myriad objective data about the project, GLorenzo and FLorenzo recklessly disregarded facts indicating that the representations they were making to prospective investors were false.

70. Instead, GLorenzo and FLorenzo, through Vista, recklessly made numerous material misrepresentations to the Company's current and prospective investors and also failed to provide material information to them.

Reckless Misrepresentations to Current and Prospective Investors

71. Beginning in or about the spring of 2009, prospective investors (the "Investors"), some of whom ultimately purchased W2E Debentures (the "Debenture Holders"), including without limitation, Carmine Luppino ("Luppino") of Luppino Landscaping & Masonry, LLC ("Luppino Landscaping"), Andrew John Savage ("Savage"), Steven Benkofsky ("Benkofsky"), and William Paul Simmelink ("Simmelink"), met with Taylor, Bohan, GLorenzo, and FLorenzo at Vista's offices in New York regarding an investment in W2E. At the time, Taylor was CEO, Chairman and sole director of W2E Holding and W2E Inc. Bohan was W2E Holdings' and W2E Inc.'s President and Chief Operating Officer.

72. Unreasonably maintaining their belief in the prospects of the Dargavel Project despite ample evidence to the contrary, GLorenzo, FLorenzo, Taylor and Bohan made reckless representations to the Debenture Holders as to the financial, technological and operational issues surrounding the Dargavel Project and W2E.

73. Among other things, Defendants showed prospective investors, including the Investors, a video of an operating waste-to-energy facility which they represented was the

Dargavel Facility. In fact, the video was of the much smaller Husavik prototype plant. GLorenzo, FLorenzo, Taylor and Bohan also represented that the Dargavel Facility was nearly operational and almost to the point where it could convert bio-waste to synthetic gas to generate electricity for sale with only a few more minor adjustments needed.

74. However, Taylor and Bohan recklessly disregarded facts known to them that contradicted their statements to the Investors – facts they had access to because they managed W2E's day-to-day operations and were aware of issues surrounding the construction of the Dargavel Facility. Indeed, earlier that year, because of problems at the Dargaval Facility, Taylor had dispatched Murphy to Scotland (which turned out to make matters worse).

75. Defendants also failed to disclose that, in the spring of 2009, Murphy was of the view that much of the design of the Dargavel Facility was flawed and had to be re-done from scratch.

76. At that spring 2009 meeting, Bohan and Taylor, in the presence of GLorenzo and FLorenzo, also represented to the Investors that the Ascot Contract was worth $200 million and that W2E had other signed letters of intent to build additional facilities in St. Maarten, Italy and other locations in Europe based on what Investors were led to believe was a nearly operational and successfully-designed Dargavel Facility. Defendants represented that the value of these binding letters of intent was approximately $300 million (in additional to the purported $200 million Ascot Contract). These statements were recklessly false because, at that time, W2E had not executed any binding letters of intent and, in fact, the Ascot Contract had an agreed price of only slightly in excess of €3 million.

77. Furthermore, the original contract price to design and build the Dargavel Facility was only €4,695,633 and, by June 30, 2009, the entire contract amount already had been paid. Taylor and Bohan were fully familiar with the Ascot Contract, having reviewed and/or approved it in

November 2008 when the contract was effectively assumed by one of the Company's IOM Subsidiaries. Taylor even signed an addendum to the Contract dated November 10, 2008. Taylor and Bohan were also familiar with the original contract between Ascot and EE.

78. Also at this meeting, GLorenzo made reckless statements concerning W2E's future listing on NASDAQ and the future price of W2E's stock.

79. Specifically, GLorenzo, in the presence of Taylor, Bohan and FLorenzo, stated that W2E would meet the listing requirements and become a NASDAQ trading stock within twelve months. GLorenzo also represented that within one year, the Investors would have the ability to convert the Debentures into stock at a premium value and that these investments would be liquid.

80. In making these statements, GLorenzo, FLorenzo, Taylor and Bohan recklessly disregarded facts which demonstrated that it would be extremely unlikely (if not impossible) for W2E stock to trade on NASDAQ because, among other reasons, the stock was highly speculative and Taylor had been a defendant in a litigation in which it was alleged that he violated securities laws. Additionally, to meet NASDAQ's capital and liquidity listing requirements, W2E needed: (i) to have stockholders' equity of $5 million; (ii) a market value of its listed securities of $50 million or net income from continuing operations of $750,000; and (iii) an operating history of at least one year or a market value of its listed securities of $50 million.

81. Although present when GLorenzo made these misrepresentations to the Investors, Taylor and Bohan did nothing to correct GLorenzo's statements.

82. Shortly after the meeting in the spring of 2009, Bohan and GLorenzo called Luppino and urged him to allow them to come to his home in New York to discuss a short-term investment in W2E.

83. At that meeting, Luppino was told that W2E was having a short-term cash issue, but with the liquidity from Luppino's investment, W2E would have all the funds it needed to complete the Dargavel Project and proceed with the Debenture Offering.

84. Luppino sought assurance and guaranties that his loan would be repaid. While GLorenzo would not commit to executing a written guarantee, claiming "that would be securities fraud," he expressly assured Luppino that W2E had the financial ability to repay him.

85. Lorenzo and Bohan assured Luppino that "as soon as money starts coming in from the other debentures in a few months, you will get paid your money back first." In response, Luppino stated that he wanted this assurance in writing from Taylor. Luppino demanded written confirmation from Taylor and W2E. Bohan and GLorenzo indicated they understood that without the Company's written assurance, Luppino would not make an additional investment.

86. On July 29, 2009, Bohan provided Luppino and Savage with a letter signed by Taylor, that promised "to repay [the aggregate $1,000,000 debenture purchase] upon receipt of gross proceeds of at least $1,850,000.00 from the sale of [Debenture] Units . . . pursuant to the private offering memorandum dated as of May 7, 2009."

87. In reliance on Defendants' reckless statements set forth herein, Luppino Landscaping and Savage each loaned $500,000 to W2E.

88. Additionally, GLorenzo and Bohan's boast that W2E's "IP" was worth at least $10 million and could be sold to repay the Investors were made in reckless disregard of facts known to GLorenzo and Bohan. Specifically, in making that statement, GLorenzo and Bohan recklessly disregarded that, as of June 30, 2009, W2E did not have at least $10 million of intellectual property or similar intangible assets. In fact, W2E had determined its IP to be worthless s of June 30, 2009. Bohan and GLorenzo both had access to information demonstrating that these

statements were false. Defendants' reckless misrepresentations induced Luppino, Savage and the other Investors into purchasing the Debentures. Had Defendants disclosed the true state of affairs regarding the Company and the Dargavel Project, the Investors would not have given the Company a penny.

89. During the extended period from September 2009 through approximately August 2010, when the Defendants were soliciting purchasers for W2E's Debentures, their description of the status of the Dargavel Project, both in public filings and in their separate disclosures to Investors, was materially inaccurate, failed to accurately describe the technical and operational difficulties facing W2E, and failed to explain the likely possibility that, as initially designed employing the intellectual property assets acquired from IE, the Dargavel Project might never become fully operational. For example:

(i) As described more fully hereafter, Taylor dispatched Murphy to take charge of the Dargavel Project despite Murphy's total lack of technical and engineering skills and training;

(ii) Murphy promptly alienated employees and customers, undermined the authority of the W2E officials who had been involved with the Dargavel Project for substantial periods and diverted needed funds from the Dargavel Project for personal use;

(iii) W2E represented to Ascot that it could build and design a single scalable facility that would efficiently process organic waste and produce a synthetic natural gas by-product which, in turn, would power turbines producing electricity for sale. However, the system as designed did not work. Ascot hired its own engineers, made material changes to the design, claimed a proprietary right to the newly-designed system, claimed to own the "know-how" developed through the trial and error process of constructing the

facility and had received reports from the largest European trash removal company that it had serious reservations as to whether the system as designed by W2E could ever work;

(iv) At least one internal memorandum of W2E dated September 16, 2009 noted that ASA (i.e. Murphy) had been managing the Dargavel Project since the beginning of 2009, that it had concluded that the project was not progressing and that the plans, specifications and technology developed for the project "were wholly inadequate, did not provide a viable technology and could not be used in connection with the execution of the contract ... and that we had to start from scratch in terms of the development of the documentation, control systems and other know-how relating to operating the plant...."

90. Indeed, despite Defendants' representations that the Dargavel Facility was "cold commissioned" and nearly operational in spring 2009, and that the IP was highly valued, it took more than four years and countless dollars to redesign the facility which, upon information and belief, is still not operating as intended.

91. During the course of the Chapter 11 case, Murphy was subpoenaed pursuant to Rule 2004 of the Federal Rules of Bankruptcy Procedure and testified under oath that the Dargavel Project was beset by numerous problems and that, as early as 2008, Bohan despaired that it was a substantial loss to the Company and should be abandoned. In his examination, Murphy stated as follows:

> Q. Peter Bohan walked away from the Dargavel plant in the fall of 2009 . . .
>
> Q. When did Peter [Bohan] walk away in 2009? Do you remember?
>
> A. It was in the fall.
>
> . . .

A. Yeah.

He had been over – he met with Jim, he went to the plant, he met with Stephen [Cochrane] and Finni, and he came back to New York – I was in a meeting in New York, and he came back to New York and said, "got to abandon this project. Got to walk away from it."

Q. What was his view? I mean, did he expand upon why you should walk away from it?

A. You know, I sat in the meeting and I'm not even sure he ever came up with a reason, other than this was going to be a lot of work and could cost a lot of money, and the contract – probably wouldn't make any money on the contract.

We pointed out that we knew that. We didn't need him to tell us that. We knew that a year before, during my trip to Iceland.

. . .

And that's when Chris [Taylor] and Peter [Bohan] decided that they wanted me to go to Dargavel and do the project management.

92. W2E solicited purchasers for the Debentures through a Private Offering Memorandum ("POM") originally May 7, 2009 (the "May 2009 POM) which was thereafter amended and/or restated on several occasions including on July 27, 2009 (the "July POM), on September 9, 2009 (the "September POM"), and on February 15, 2010 (the "February POM") (collectively, the "POMs"). The POMs failed to disclose, among other things, Murphy's key role in the Company and the Project and the Company's view of the worthlessness of the intellectual property it had acquired from EE.

93. Shortly after the spring 2009 meeting, the Investors, including Luppino and Savage, were invited to a second meeting at Vista's offices in New York attended by Bohan, Taylor, GLorenzo and FLorenzo. This was a solicitation meeting intended to persuade Investors to purchase Debentures.

94. At Vista's office, Savage asked if W2E would protect him "if all goes south." Bohan responded that his investment was safe because W2E had sufficient assets to satisfy any claims. Bohan's statement was in reckless disregard of the facts known to him at the time.

95. Bohan also represented that W2E had intellectual property "which is safely secured at Iron Mountain and worth $10 million." As explained above, Bohan's statement was contrary to the facts available to him at the time, including W2E management's assessment that W2E's intellectual property was worthless.

96. Defendants again represented that, apart from insignificant sums owed to W2E vendors, the repayment of the Debentures was senior to any other debt held by W2E. This recklessly disregarded the fact that, with millions of dollars in debt on W2E's books, repayment of the Debenture debt was impractical and that whatever assets the Company had was housed in subsidiaries of W2E Holdings and that as creditors of that entity, they could not access payment from the assets of the subsidiaries until the subsidiaries' own creditors were paid.

97. Indeed, in its June 30, 2009 Form 8-K filing, W2E submitted financial statements demonstrating that, as of December 31, 2008, W2E already had almost $10 million in total liabilities.

98. In July 2009, GLorenzo told Investors, including Luppino and Savage, that he was in possession of non-public information concerning W2E which demonstrated that the assets, prospects and business of W2E were better than as set forth in the POMs. According to the SEC[3], however, GLorenzo had no reasonable basis for making this statement because no favorable non-public information concerning W2E existed.

[3] As discussed below in the Section entitled SEC Investigation, in or around August 2011, the SEC launched an investigation of Vista, GLorenzo and FLorenzo, with respect to the offers and solicitations for W2E's Debentures and on February 15, 2013, issued an Order Instituting Administrative and Cease and Desist Proceedings (the "SEC Cease and Desist Order").

99. Also in July 2009, GLorenzo, in the presence of Taylor, Bohan and FLorenzo, represented to the Investors, including Luppino and Savage, that Vista had agreed to raise additional funds to repay the Debentures, if this became necessary.

100. GLorenzo's statement regarding Vista's ability to raise additional funds was reckless, however, as there was no guarantee that it would even be able to sell the full $15 million in Debentures it was trying to place on behalf of W2E; much less raise additional funds. Once again, Taylor and Bohan did not correct GLorenzo's statements and thereby recklessly endorsed the misrepresentations.

101. One prospective investor, Erin Bailey ("Bailey") learned that, in October 2006, Taylor was involved with a failed alternative energy company, Xethanol Corporation ("Xethanol") and that he had been named as a defendant in a class action lawsuit alleging, among other things, various violations of the 1934 Act and Rule 10b-5.

102. Bailey notified Savage, who, in turn, notified other Investors of Bailey's findings. The result was that the Investors, including Luppino and Savage, advised Bohan, Taylor, Vista, GLorenzo and FLorenzo that they would not purchase the Debentures unless Taylor agreed to resign as CEO. The Investors were very concerned about having competent and trustworthy individuals leading W2E and making major decisions affecting the Company.

103. Seemingly consenting to the Investors' demands, Taylor signed a Transition Agreement agreeing to resign as CEO and appointing Bohan as CEO of W2E Inc. and W2E Holdings.

104. Amendment No. 1 to the July 2009 POM, dated August 24, 2009 ["August 2009 Amendment"] references the Transition Agreement and states as follows:

> Pursuant to the Transition Agreement between, [W2E Inc.,] [W2E Holdings], and Christopher d'Arnaud-Taylor, upon the final

> closing or termination of the Unit Offering, Mr. d'Arnaud-Taylor will resign as Chief Executive Officer of the [W2E Inc.], and [W2E Holdings]. Upon Mr. d'Arnaud-Taylor's resignation, Peter Bohan, the President and Chief Operating Officer of [W2E Inc.] and [W2E Inc.], will become the Chief Executive Officer of [W2E Inc.], and [W2E Holdings]

105. On September 4, 2009, Taylor resigned and Bohan was appointed as CEO of W2E Inc. and W2E Holdings.[4]

106. Despite agreeing to remove himself as CEO of W2E Inc. and W2E Holdings and appointing Bohan to that position, Taylor maintained final say on matters relating to operations of W2E Inc. and W2E Holdings, acting not as a director but as *de facto* CEO with day-to-day control over the Company.

107. In a witness statement dated July 11, 2012, made to the High Court of Justice of the Isle of Man in connection with an involuntary insolvency proceeding for a W2E subsidiary brought on behalf of Murphy and ASA, Taylor admitted that although he resigned as CEO of W2E, he "remained its Chairman . . . [and] . . . continued to serve as sole Director of W2E until just before the filing of involuntary bankruptcy in August 2011" and "as Chairman of W2E, [Taylor] was involved in and approved every commercial transaction that occurred with the IOM subsidiaries," which held W2E's only assets. Taylor further stated that "the corporate structure and transactions were a direct result of [his] authorizations." Unbeknownst to the Investors, after resigning as CEO of W2E, Taylor appointed himself as Chairman and Director of W2E PLC, the ultimate parent corporation of all of the IOM subsidiaries.

108. Taylor also knew he could "resign" as CEO, yet continue to influence all major decisions for the Company because, approximately 4 months earlier, in January 2009, he had

[4] It was only after Taylor was forced to resign as CEO that the September POM, prepared by W2E and Vista, was amended to disclose that in October 2006, Taylor had been named as a defendant in a lawsuit alleging various violations of federal securities laws.

installed his sidekick, Murphy, as manager of the Dargavel Project and appointed him as a managing director of the various IOM subsidiaries, without ever disclosing Murphy's role or the extent of his authority to the Investors. At or about the same time, Taylor caused all of the intellectual property owned by the various entities operating under the Company to be transferred to IOM Technologies.

109. Despite the importance to the Investors of having trustworthy and competent leadership, Defendants recklessly failed to disclose Murphy's role, background and the broad discretion he was given to oversee the only construction project that W2E had.

110. Indeed, although the POMs discussed W2E's key management, there was no mention of Murphy, who controlled the operations of W2E in Scotland and the IOM subsidiaries. Additionally, notwithstanding his authority, discretion and appointment as a managing director of the Company's most important subsidiaries, Murphy was not identified as an officer of W2E Holdings or its subsidiaries in any public filings nor was he listed in the "Key Personnel" section of any of the filings. Murphy's hiring, through his firm, ASA, as a "consultant" was withheld from Investors.

111. Defendants recklessly disregarded that Murphy lacked the technical or engineering qualifications to oversee such a major and highly technical project as Dargavel.

112. Indeed, Murphy had a track record of destroying businesses. Between 2000 and 2003, he put four of his companies into bankruptcy and in 2007 he filed his own chapter 7 bankruptcy petition.

113. In In re John Murphy, 2007 WL 3054989 *1 (Bkrtcy. M.D. Fla. 2007), just one year before Taylor hired him to run the Dargavel Project, the Florida Bankruptcy Court took the extraordinary step of denying Murphy a discharge from his debts. Taylor was a witness on

Murphy's behalf, attesting to Murphy's probity but his testimony was implicitly or expressly disregarded by the court. On appeal to the District Court, the ruling denying Murphy a discharge was affirmed. In concluding that Murphy was not entitled to a discharge – something routinely granted to "honest" debtors – the Florida Bankruptcy Court cited Murphy's pattern of dishonesty and his manipulation of facts and financial information. The court stated in pertinent part, as follows:

> The debtor, John J. Murphy, Sr. ("Murphy"), has a long history of being less than truthful with his creditors and freely manipulates the appearance of his financial condition when he thinks it will work to his advantage. When seeking to obtain loans, he has bolstered his financial condition in order to secure funding. When trying to avoid repaying loans, he makes his financial condition appear unjustifiably bleak.
> . . .
>
> The Court rejects Murphy's position and concludes that Murphy has provided false information to creditors and to this Court, has not satisfactorily explained his claimed loss of assets [and], he has utterly failed to provide financial records sufficient to permit creditors to assess the veracity of the grim financial posture he most recently assumes in this bankruptcy case.
> . . .

114. The Florida Bankruptcy Court noted that Murphy's children "attended private school. The family lived a very privileged life, probably financed, in part, by the creditors of this bankruptcy case." The court found that Murphy's "bankruptcy petition and schedules were replete with material, false oaths made with the intent to deceive creditors." The court's judgment was that Murphy's creditors had "proven by a preponderance of the evidence that Murphy knowingly and fraudulently made false oaths and accounts when completing his bankruptcy petition and schedules, failed to satisfactorily explain his loss of assets, and failed to

maintain and produce adequate books and records from which his true financial condition could be ascertained."

115. Defendants were obligated to make full and complete disclosures as to Murphy's role in managing the Dargavel Project, the nature and amount of compensation he had been promised, the fact that, even before W2E signed the its last agreement with ASA, he had previously been employed by W2E and had been given "cashless" warrants to buy one million shares of W2E Holdings. Defendants likewise recklessly failed to disclose Murphy's sordid financial history and his many prior relationships with Taylor. Had the Investors known about Murphy's role, they likely would have refused to invest in W2E (as witnessed by their reaction to Taylor's alleged past actions in connection with a public company). Clearly, this information would have been material to their investment decision(s).

116. Defendants' reckless misrepresentations and omissions of material facts, and the Debenture Holders' reliance on same, allowed W2E to sell over $10 million of Debentures. Upon information and belief, none of the Debentures have been repaid. For illustrative purposes, the following Debenture Holders purchased W2E Debentures:

(a) On November 24, 2009, Luppino Landscaping purchased $250,000 of W2E's Debentures;

(b) On February 3, 2010, Luppino Landscaping purchased $500,000 of W2E's Debentures;

(c) On June 8, 2010, Simmelink purchased $200,000 of W2E's Debentures; and

(d) On October 1, 2009, Benkovsky purchased $2,000,000 of W2E's Debentures.

SEC Investigation

117. In or around August 2011, the SEC launched an investigation of Vista, GLorenzo and FLorenzo, specifically focusing on the roles they played in the offers and solicitations for W2E's Debentures. On February 15, 2013, the SEC issued the SEC Cease and Desist Order.[5] The SEC focused on the misrepresentations made by GLorenzo, FLorenzo and Vista beginning in September 2009, to "Investor A," "Investor B" and "Investor C," customers of Vista, to induce them to invest in the Debentures although many representations had been made before September 2009. The misrepresentations made to Investors A, B and C were largely identical to the misrepresentations made to the Investors.

118. The SEC alleged that in telephone conversations and emails, GLorenzo and FLorenzo attempted to convince "Investors A, B and C" to purchase the highly risky W2E Debentures by making false, misleading, and unfounded statements.

119. Specifically, the SEC alleged that GLorenzo spoke to "Investor A" several times, one conversation of which, on September 23, 2009, was recorded. During that telephone conversation, GLorenzo made numerous materially false, misleading and/or reckless statements to induce "Investor A" to purchase the Debentures.

120. According to the SEC, GLorenzo falsely represented to "Investor A" that "right now they [i.e. the Company] have a contract. They have a contract that's totaling $100 to $200 million, but I don't know how fast they're going to get that money, so I can't really say what type of cash roll they're going to generate."

121. According to the SEC, GLorenzo had no reasonable basis for making these statements because he knew (or recklessly disregarded) that W2E did not have any contracts to

[5] All quotations and information contained in "the SEC Investigation" section of this Complaint are attributable to the SEC Cease and Desist Order.

build and design waste-to-energy facilities, other than the November 18, 2008 agreement with Ascot, which had a contract price of €3,286,943.

122. The SEC further alleged that GLorenzo, to assure "Investor A" that an investment in the Debentures was not as risky as the written risk disclosures in the POM, told "Investor A" that he would "get [his] money back" because W2E would have "$7 million" in cash to repay debenture holders regardless of its future revenue:

> But I got to tell you this. If this is a private placement, and there weren't protective features in the transaction, and it wasn't somewhat of an insurance policy, I would tell you, you're right, don't do it. But the fact that there is and you get the benefit of having a debenture and it being senior and being in front of everything else that this company has, accrued salary, shareholders, you name it, and it's the only debt the company will have on their book, I mean, I– it's hard really -- it's hard to really put this into a very, very risky category despite what those documents read because at the end of the day, . . . this company is still going to have close to $7 million in the bank, and I'm talking no revenue at all.
>
> So I understand where you're coming from, but there is nothing in this market, there is nothing in this industry in my opinion with you being a client of my firm that can do what this deal can do for you because I'm telling you now, with our reputation on the line, me saying this to you, if you don't want to convert because you feel that the market is not there, the company hasn't executed, you are getting your money back.
>
> They're going to be left with these – close to or exactly the amount of cash that they were given. Now again, I, I'm going to hold them accountable to pay this money back out of revenue.
>
> * * *
>
> But I look at it like this. I'll be honest with you. Based on their burn rate, and what they're going to get left with, they're still going to have close to $7 million in cash. If I have to raise a measly 8 million bucks to help them at worst case scenario, I'm not worried about that. These are the – this is the worst case scenario that I can possibly think of. I just – I just don't see that happening. I, you know, I, I'm sorry. And if they do, I am prepared as the chairman of Charles Vista to make sure that the investors get paid back.
>
> * * *
>
> You know, the odds of you being successful are, are highly likely.
>
> * * *
>
> I also want you to know that this is a very, very strong transaction.

* * *

> I will make sure that you get paid back your money in this transaction. I don't believe that you will even take back your money. I have full confidence you will convert this note into stock at a dollar because the stock will be trading at a significant premium with liquidity because the company has executed their business plan.
>
> * * *
>
> And you're going to have a year to watch it for yourself. I don't have to say anything. The proof will be in the pudding, and you'll be able to decide what you want to do. It's like, it's like being able to place a bet and making a decision if you want to keep that bet a year from now.
>
> * * *
>
> But you are getting your money back, and you're going to get your final interest payment, and you are getting your warrants up front, and you'll be able to decide if you want to keep going. That [other] stock cannot offer you that. No public stock can offer you that. It's just not out there.

123. According to the SEC, GLorenzo had no reasonable basis for making these statements because he knew (and/or recklessly disregarded) that W2E's last public filing prior to September 23, 2009 —its May 28, 2009 Form 8-K — reported that: (i) as of December 31, 2008, W2E had only $28,171 in cash; and (ii) as of May 28, 2009, the Company had only $194,369 in cash. Furthermore, W2E's Form 10-Q for the period that ended June 30, 2009 (filed October 1, 2009) reported that the Company had only $54,543 in cash and less than $700,000 in total assets; and W2E's Form 10-Q for the period ended September 30, 2009 (filed November 16, 2009) reported total assets of $905,582, total liabilities of $6,510,247, an accumulated deficit of $23,675,381, contracts receivable valued at zero, and unbilled amounts due on uncompleted contracts at $499,857.

124. The SEC also alleged that during the September 23, 2009 telephone call with "Investor A," GLorenzo made the following baseless prediction regarding W2E's alleged future listing on NASDAQ: "I believe [W2E] will be a NASDAQ trading stock within 12 months. I believe they will meet the listing requirements."

125. The SEC claims that on the same call, GLorenzo also made equally baseless statements concerning the future price of W2E's stock, into which the Debentures could be converted. He told "Investor A" that "I have full confidence you will convert this note into stock at a dollar because the stock will be trading at a significant premium with liquidity because [W2E] has executed their business plan." Later in the call, while trying to convince "Investor A" to invest $75,000 more than he already had decided to invest in the Debentures, GLorenzo stated that an additional $75,000 means "150,000 more shares in a company that could potentially be $5 to $10 a share within 12 months. And that's what I'm looking at. You're giving up on that, and I just don't want you to do that. 150,000 shares at $5 is almost a million dollars to you. It's 700, it's close to $750,000."

126. According to the SEC, GLorenzo had no reasonable basis for making these statements because he knew (and/or recklessly disregarded) that W2E's stock was extremely speculative. Furthermore, on September 23, 2009, the day that GLorenzo made his stock price and NASDAQ listing predictions to "Investor A"—W2E filed a Form 8-K reporting that on August 20, 2009, FINRA had notified the Company that if it did not file a delinquent Form 10-Q by September 21, 2009, its stock could be de-listed from the OTCBB, a trading venue with much less demanding listing requirements than the NASDAQ. In addition, the September 2009 POM reported that (1) the "sole member of our board of directors was a defendant in prior litigation arising [sic] alleging violation of the Federal Securities laws, which may prevent or make more difficult listing on a national exchange and/or NASDAQ"; and, after further describing the litigation, (2) "[t]here can be no assurance that [the Director's] actions and/or involvement in the prior litigation will not negatively impact and/or prevent [W2E's] ability to be listed on an

exchange and/or NASDAQ, even if [W2E] were to meet such listing qualifications, which it will not for the foreseeable future."

127. Given Murphy's undisclosed roles as: (i) the person in charge of the Dargavel Project, (ii) a "consultant" with a substantial number of warrants; and (iii) as a managing director of W2E's IOM subsidiaries combined with his recent financial transgressions, disclosure was required, as his involvement along with Taylor's past made it even more unlikely that W2E Holdings' shares would ever be listed on a national exchange.

128. According to the SEC, GLorenzo also told "Investor A" on September 23, 2009 that he was in possession of favorable non-public information concerning W2E, stating: "I can tell you things that are not even public yet that I shouldn't tell you, but it's not going to make a difference. You're going to want to see these things happen."

129. The SEC alleged that GLorenzo had no reasonable basis for making these statements because he knew (and/or recklessly disregarded) that no "non-public information concerning W2E" existed, and none of W2E's public statements after September 23, 2009 indicate that any such undisclosed favorable information about the Company existed on or around September 23, 2009.

130. The SEC also alleged that GLorenzo falsely told "Investor A" on September 23, 2009 that the "debenture [was] senior and being in front of everything else that [W2E] has, accrued salary, shareholders, you name it, and it's the only debt the company will have on their books."

131. According to the SEC, GLorenzo had no reasonable basis for making these statements because, as GLorenzo knew (and/or recklessly disregarded), as of September 23,

2009, W2E had millions of dollars in debt on its books that was senior or equal in priority to the debt W2E was issuing through the Debenture Offering.

132. "Investor A" relied on these misrepresentations and, on September 25, 2009 and October 1, 2009, invested a total of $225,000 in the Debentures.

133. The SEC alleged that GLorenzo similarly defrauded "Investor B." Specifically, in or about September, 2009, GLorenzo spoke to "Investor B" concerning the Debentures. During his conversations with "Investor B," GLorenzo told "Investor B" that he would make several times his money if he invested in the Debentures. For the same reasons as set forth above, GLorenzo knew (and/or recklessly disregarded) the falsity of this representation.

134. According to the SEC, after speaking to GLorenzo, "Investor B" invested $150,000 in the Debentures. Even after "Investor B" invested $150,000 in the Debentures, GLorenzo continued to solicit him to acquire additional Debentures. When "Investor B" asked GLorenzo to send him more information, he received an e-mail from FLorenzo's assistant, acting on behalf of, and at the direction of either FLorenzo or GLorenzo, or both, dated October 2, 2009, that purported to "summarize several key points of the Waste2Energy Holdings, Inc. Debenture Offering." ("Summary of Debenture Offering Email")

135. The Summary of Debenture Offering Email, designed to solicit "Investor B's" investments in the Debentures, contained the following false and/or misleading statements concerning W2E:

> "There are 3 layers of protection:
>
> (I) The Company has over $10 mm in confirmed assets
> (II) The Company has purchase orders and LOI's [letters of intent] for over $43 mm in orders
> (III) Charles Vista has agreed to raise additional monies to repay these Debenture holders (if necessary)"

136. According to the SEC, the first statement was false, and FLorenzo and GLorenzo knew (and/or recklessly disregarded) that it was false, because as of June 30, 2009, W2E had written off nearly all of its assets, and did not have "$10 mm in confirmed assets." On October 1, 2009, W2E filed an amended Form 8-K and its Form 10-Q for the period ended June 30, 2009. Those filings stated that W2E had written off almost all of its previously-reported assets (totaling approximately $14 million) as of June 30, 2009, consisting primarily of $11 million in "intangibles" and "goodwill."

137. On October 1, 2009, and the morning of October 2, 2009, FLorenzo notified Vista's brokers, including GLorenzo, by email of W2E's October 1, 2009 filing and included links in his email to the W2E filings on the SEC's website. GLorenzo and FLorenzo, therefore, knew (and/or recklessly disregarded) that the statements in the email to "Investor B" were false when made.

138. The second statement set forth in the Summary of Debenture Offering Email was misleading because according to the SEC, as of October 1, 2009, W2E had only a single, non-binding, letter of intent for $43 million and negligible "purchase orders." According to the SEC, the third statement set forth in the Summary of Debenture Offering Email was misleading because, when it was made, it was far from certain that W2E could sell the full $15 million in Debentures it was offering, much less "raise additional monies to repay [those] Debenture holders."

139. After receiving the Summary of Debenture Offering Email which contained the misrepresentations about W2E, "Investor B" made another $200,000 investment in the Debentures.

140. Additionally, on October 14, 2009, FLorenzo sent two additional emails soliciting customers to acquire Debentures which contained the very same false and misleading statements that were in the Summary of Debenture Offering Email.

141. At the time FLorenzo sent the October 14 emails, FLorenzo knew (and/or recklessly disregarded) that the statements contained in those emails about W2E were false and/or misleading.

142. At least one of the recipients of FLorenzo's October 14, 2009 emails invested in the Debentures after receiving the email.

143. According to the SEC, in or about April and May 2010, GLorenzo made the following false, misleading and/or reckless statements to "Investor C":

(a) if he invested in the Debentures, "Investor C" was guaranteed to get the principal invested in the Debentures back plus interest after one year; and

(b) W2E would be doing very well in a year, at which point "Investor C" would have the option to convert the Debentures into W2E stock.

144. For the same reasons as set forth above, the SEC alleged that GLorenzo made these false (and/or reckless) representations to induce "Investor C" into purchasing W2E Debentures.

145. According to the SEC, after speaking to GLorenzo, and relying on his false statements, "Investor C" invested a total of $125,000 in the Debentures: $25,000 on April 1, 2010 and $100,000 on May 12, 2010.

146. As set forth above, these same misrepresentations and/or material omissions were previously made to the Investors (including Luppino and Savage) by GLorenzo either together with Taylor and/or Bohan's reckless participation, or in the presence of Taylor and Bohan and

with their reckless assent. The Investors relied on these recklessly false material misrepresentations to purchase Debentures. But for these recklessly false material misrepresentations and/or omissions, the Debenture Holders would not have purchased the Debentures.

147. Vista, GLorenzo, and FLorenzo were acting within the scope of the authority granted to them by Taylor, Bohan and W2E and the Investors reasonably relied on the fact that Vista, GLorenzo and FLorenzo were acting on behalf, and under the control, of Taylor, Bohan and W2E.

148. As a result of Defendants' misrepresentations and in reliance on those misrepresentations, from early 2009 until mid-2010, W2E raised nearly $10 million from the sale of the Debentures, none of which was repaid. Indeed, at no point during the Debenture Offering could Defendants reasonably believe the Debentures would ever be repaid.

No Safe Harbor

149. The statutory safe harbor under the Private Securities Litigation Reform Act of 1995, which applies to forward-looking statements under certain circumstances, does not apply to any of material misrepresentations and/or omissions pled in this Complaint. The material misrepresentations and/or omissions herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward-looking, they were not adequately identified as "forward-looking statements" when made, and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

Breaches of Fiduciary Duty by Murphy, Taylor and Bohan

150. According to the Company's public filings and as highlighted in the POMs, Finni was essential to the success of the Dargavel Project. The Company's 8-Ks acknowledged that "success depends on key employees," and the September and February POMs stated, "Our success depends in large part upon the abilities and continued service of our executive officers and other key employees, particularly . . . Mr. Friðfinnur (Finni) Einarsson, Chief Technology Officer." Finni had been working on thermal treatment systems for over 20 years and on marketing and engineering of BOS systems of increasing intensity for over 10 years.

151. Nevertheless, despite knowing that there were significant technical and engineering problems at the Dargavel Facility (a fact not disclosed to the Investors), Taylor decided to hire Murphy, a friend with no technical experience or background, to take control of the Dargavel Project.

152. Taylor also appointed Murphy to the Board of Directors of the IOM subsidiaries, which controlled the Dargavel Project and owned the intellectual property necessary to build the facility. Through his company, ASA, Murphy agreed to a $15,000 per month consulting agreement plus reimbursement of expenses.

153. Not only was Taylor aware that Murphy lacked the technical background to oversee the Dargavel Project, he also knew Murphy was volatile, divisive, and had a history of failed ventures.

154. Murphy proceeded to successfully alienate and abuse key employees, used the Company as his own personal piggy bank, and destroyed many of the Company's business relationships. While this was occurring, Taylor did nothing to remove Murphy.

155. Murphy hired his own longtime friend, Barry Northup ("Northup"), to be Murphy's eyes and ears at the Company. Northup had no relevant skills and did nothing more

than assist Murphy in alienating vital employees and looting the Company for their own personal benefit.

156. Murphy was so divisive that he alienated and forced out the Company's single-most important employee with the necessary technical and engineering knowledge to complete the Project -- Finni, the CTO of W2E and Technical Director of IOM Subsidiaries.

157. In his Rule 2004 Examination, Murphy stated as follows regarding Finni and the Dargavel Project:

> In order to do a transaction like that, you have to have the wherewithal to put up a substantial guarantee that when they plug it in, it will play, which means that you would have to have a full set of plans and specifications, a written FDS, all the electrical - - all the electrical plans required for all the control panels, the design of all the control panels, prior to delivering it.
>
> The way Finni sold this contract, and this is a quote from him to me and several other people, that he sold the contract this way because he hadn't figured out how to do all that yet and he figured it would buy him two years.

158. In that same examination, when describing how the project was run before Murphy was hired, blaming Finni for many of the problems at the Dargavel Facility, Murphy stated:

> ... it was a mom-and-pop operation. This is the biggest job they had ever done. It was not properly coordinated from a manufacturing standpoint. It was not being designed, to the extent they had three engineers there doing design and none of them could do anything until Finni got to the office in the morning, he would – the night before he would draft out – you know, by hand, he'd draw some sketches, and that's today's work for putting this project together.
>
> And so there was never – so when I came back, Chris asked for my recommendation of what to do with Iceland. I said, "I wouldn't buy it. You aren't buying anything. You're overpaying the guy."

> And Finni is one of those people that believes, you know, that he's got a magic trick. And so there is no silver bullet here. And that was my recommendation at the time.
>
> . . .
>
> Q. Was [Finni] physically located on the site on a day-to-day basis?
>
> A. Never
>
> . . .
>
> A. Only for the period of time that I brought him in for commissioning. And then he was so disruptive we couldn't get anything done.

159. Finni, however, viewed Murphy as the problem. In an August 2010 letter, Finni informed Taylor that Murphy had worked mostly remotely, created an unhealthy and untrusting atmosphere at the Company and controlled employees with fear and humiliation. Finni explained that Murphy had an extremely abusive attitude, and made constant threats to key members and staff. Finni stated he experienced this himself when people left the office "in tears after taking a session of Murphy's foul and abusive language." Finni complained that "Murphy's management style affected the entire workforce of the company reducing severely its ability to perform." This blatant problem with Murphy, the in-fighting and turmoil, however, was never disclosed to the Investors. Rather, Taylor and Bohan caused W2E to make contradictory and misleading statements in its SEC filings. W2E's Form 10-K, dated July 12, 2010, falsely stated, "We consider our employee relations to be good." W2E's Form 10-Q, dated August 23, 2010, made no mention at all of employee relations, nor did any POM distributed to the Investors mention the internal employee turmoil, all of which was known to Taylor and Bohan.

160. Murphy wanted to ensure that he could stem complaints about him, so he attempted to ban all communications of W2E IOM employees with Bohan and other members of W2E Inc., isolating W2E Inc. from its most valuable subsidiary.

161. Murphy even cut off cell phone communication between Finni and other key W2E IOM employees on the one hand, and Bohan and other members of W2E Inc.'s management.

162. Murphy went so far as to direct Northup to bar Finni from the Dargavel Facility, and even intentionally delayed payments due Finni, despite that everyone else had been paid. Notwithstanding that W2E IOM owed Finni over $1 million in back pay by May 2011, Murphy refused to allow the Company to make any salary payments to Finni. Bohan and Taylor were both aware of this, but did nothing to rectify the situation and allowed Murphy to run Finni out of W2E.

163. Starting in the spring of 2009 until he finally forced Finni out of W2E, Murphy intentionally segregated Finni from any active role in W2E. During a meeting in 2010, Murphy told Finni, "for the success of the company, it really did not make any difference if [you] stayed with the company or not."

164. Critically, this information was withheld from Savage and Luppino, who had been told repeatedly that Finni was a key employee who was vital to the success of the Dargavel Project.

165. Not until April 2011 did Murphy state in a letter to the Investors that "[I]t is obvious that Finni, Stephen [Cochrane] and Moston will shortly depart the company based upon what they feel are broken promises . . . . Most think their departure to be a negative but I view this as very positive . . . . In order to execute Dargavel's completion and further refine our

present technology none of them are necessary." Murphy continued by stating that he "was instrumental in the completion of Dargavel and the further development of the technology." Nothing could be further from the truth as Murphy had no technical or engineering experience.

166. Finni, however, was not the only W2E employee to notify Taylor and Bohan about Murphy's detrimental actions. Jazz Hastings ("Hastings"), a Project Director at W2E, stated in an August 2010 email to Bohan that all W2E IOM employees had lodged complaints with him regarding Murphy's destructive behavior. Hastings also wrote that Murphy's "unprofessional and childlike behavior need[ed] to be stopped as [Murphy] was causing deliberate mayhem with no possible logic other than to disrupt [W2E's] operations . . . and encourage damage to the company name."

167. Murphy not only alienated and abused employees essential to the Dargavel Project, he also engaged in self dealing by using company funds for his own personal benefit and allowed Northup to do the same. Even while the Company was cash-starved, Murphy lavishly spent Company funds on himself.

168. For example, despite being in Scotland for just eight months, Murphy used Company funds to: purchase two Mercedes Benz and one Jaguar; hire a personal driver; lease a four-bedroom house where he authorized extensive redecorating, including the construction of a putting green; purchase a $14,000 first-class ticket to China; buy expensive clothing; and fly his family to visit him in Scotland.

169. While in Scotland, he also spent £6,000 of Company funds to pay for his family's entertainment, including meals, groceries and golf fees.

170. Additionally, without authorization, Murphy "hired" his personal attorney's son as an intern to work for W2E and paid him over £5,000 of W2E's funds, even though the intern

was to be supported by his father and did not have a valid work visa. Murphy also used Company funds to fly his personal attorney to the UK for vacation.

171. Bohan and Taylor were notified of Murphy's actions on numerous occasions, yet failed to take corrective actions.

172. Finally, in September 2010, after allowing Murphy to loot the Company for almost two years, Bohan attempted to remove Murphy (and ASA) from the Dargavel Project (but not from his positions on the IOM Boards).

173. Taylor, however, opposed Murphy's removal and stated that Bohan "countermanded [his] direct order to allow ASA [and Murphy] to continue its work with ASCOT [on the Dargavel Project]."

174. By January 2011, Murphy had wiped out W2E's Royal Bank of Scotland account through his personal use, causing the Company's direct debits to bounce.

175. Rather than acting in the best interests of the Company and its investors, however, Taylor stood by Murphy, notwithstanding that he had alienated the single-most important employee to the success of the Dargavel Project, alienated other key personnel, caused tremendous turmoil and in-fighting within the Company, alienated vendors and suppliers, all while living lavishly at the Company's expense.

176. Not only did Taylor fail to remove Murphy, but he appointed him to be CEO of the Company.

177. Nor did Bohan act in the best interests of the Company and its creditors. As CEO, Bohan had the power and ability to remove Murphy from the Dargavel Project. While Bohan eventually complained about Murphy's actions, he failed to remove Murphy and sever the Company's ties to ASA.

178. Murphy, acting as a *de facto* officer of the Company and as the managing director of W2E PLC and W2E Technologies, failed to act in the best interests of the Company and its creditors. Murphy's actions were deliberate, in bad faith, and with no genuine care for W2E or its subsidiaries.

179. Bohan's and Taylor's actions in permitting Murphy to remain at W2E in a position of power were also damaging to W2E. No reasonable business person would have made these decisions. In fact, all of Taylor's and Bohan's actions in this regard were done deliberately, in bad faith, and without genuine care for the Company and its creditors.

180. Taylor refused to act to correct these issues, even stating in an email to Stephen Cochrane of W2E in January 2011 that Murphy had his "full support . . . as both the Chairman of IOM and also the ultimate parent." Taylor's longstanding personal and business relationship with Murphy, and his plan to ultimately control W2E through Murphy, caused him to act to the detriment of W2E and to the benefit of Murphy.

181. In disregard of their fiduciary duties, Taylor, Murphy and Bohan also caused W2E to make inconsistent, delinquent and incomplete SEC filings. W2E did not file a Form 10-Q quarterly report since its report for the second quarter of 2010 and did not file a Form 10-K annual report for the fiscal year ending March 31, 2011. In a letter dated March 31, 2011, the SEC noted the failure to file quarterly reports and also noted inconsistencies in the Form 10-K for the fiscal year ending March 31, 2010, previously filed Form 10-Q quarterly reports, and financial statements. The SEC requested an explanation of the problems with W2E's prior filings. On April 13, 2011, W2E simply informed the SEC that it had no money to retain professionals to prepare a response.

182. Taylor's dereliction of his duties as Chairman, sole director of W2E's Board of Directors and as *de facto* chief executive contributed significantly to the ultimate demise of the Company. Taylor also permitted Murphy and Bohan to contravene each other, thus paralyzing the Company and contributed to its failure and the loss of millions of dollars of Investor money.

183. Unable to set their personal differences and/or agendas aside, Murphy and Bohan breached their fiduciary duties to W2E by plunging the Company into a period of undisclosed side deals, infighting and indecision, sabotaging any possible success or long-term viability.

184. Part of the problem between Murphy and Bohan was that Murphy blamed Bohan for forcing one of the IOM companies into bankruptcy. In his Rule 2004 Examination. Murphy testified as follows:

> Q. Okay, what caused [Waste2Energy Engineering] to go into receivership?
>
> A. All of the assets were stripped from the Company.
>
> Q. By whom?
>
> A. Mr. Bohan and Mr. Moston
>
> . . .
>
> A. Put into a separate company that was controlled by the U.S. Company called Waste2Energy Europe, something.
>
> Q. So Mr. Bohan and Mr. Moston, it's your testimony, caused the assets of that company to be stripped out of that company and put into another company?
>
> A. Yes.

185. By the fall of 2010, Bohan had introduced Waste-to-Energy Canada ("WTEC")[6] to Ascot and W2E as an investor willing to put in additional funds to complete the still incomplete Dargavel Facility. Murphy and ASA, together with Taylor, failed to follow that

[6] Despite the similarity in name, WTEC is not affiliated with the Company.

opportunity and instead attempted to pursue a relationship with Reliance Energy Company Ltd. ("Reliance"), a Chinese company.

186. The proposal with WTEC involved an outright purchase of W2E IOM by WTEC, whereby proceeds of the sale would be used to repay the Debenture Holders. By contrast, the Reliance proposal involved restructuring W2E's entire business model. Bohan and Murphy were at odds about which deal was best and conveyed their distrust of each other to both Taylor and W2E's creditors.

187. In or about the end of April 2011, Taylor received an email from Bohan requesting the removal of Murphy and expressing his dissatisfaction with Murphy's potential deal with Reliance. Bohan's email stated, in pertinent part, as follows:

> As Chairman of W2E's board, and sole director, I insist that you rein in John Murphy immediately and have him cease and desist all further communication with WTEC and any vendors/customers in the UK . . . there is strong suspicion within WTEC that Murphy is acting in his own self interest as a creditor of the IOM companies . . . the proposed license agreement with the Chinese that Murphy negotiated had so little commercial value, any third party would question the motives. . . . Murphy has been a divisive influence over the past 18 months within W2E and has, by his, actions . . . destroyed any personal relationships with customers, vendors and employees that he might have had. In the event that he is not removed as director of all the IOM companies . . . I will have no option but to seek a shareholder resolution to resolve the situation. This is not the first time I have requested you to remove Murphy but it is the last.

188. Despite being CEO of W2E and despite threatening to remove Murphy via shareholder resolution, Bohan, once again, took no action. Taylor, meanwhile, rather than do what was best for W2E and remove Murphy as Director of the IOM Subsidiaries, removed Bohan from his position and promoted Murphy to CEO in May 2011.

189. Shortly after Murphy became CEO of W2E, he began discussions with the Debenture Holders, including Savage and Luppino, regarding the future of W2E. During those communications, on or about May 26, 2011, Murphy assured the Debenture Holders that the Company would take no material action without consulting them first.

190. Nonetheless, while Bohan continued to negotiate a potential deal with WTEC, on or about May 31, 2011, Murphy unilaterally decided to transfer the exclusive rights to the business to Ascot for portions of Europe in exchange for a forgiveness of debt of approximately $300,000. Murphy elected not to notify the Debenture Holders or Bohan of these significant decisions. This exclusivity agreement, which was never even discussed with the Debenture Holders, essentially eliminated the potential of any deal with WTEC. It also effectively signaled that the Reliance deal was the only deal Murphy and Taylor were willing to pursue.

191. As a result of these issues, certain Debenture Holders, including Luppino and Savage, retained Jared Gurfein, Esq. ("Gurfein"), a corporate attorney, in connection with what, at the time, they expected to be a restructuring arrangement with Reliance that was proposed by Murphy.

192. On June 8, 2011, Gurfein attended a meeting at Luppino's home in New York, where Murphy, with GLorenzo in attendance, presented a vague set of points to Luppino and Savage regarding the potential deal with Reliance. During the meeting, Murphy explained that W2E was abandoning its pre-existing relationship with WTEC. Luppino, however, continued to press Murphy to negotiate with WTEC, to which Murphy agreed, albeit reluctantly. Luppino, along with other Debenture Holders, also demanded Murphy provide some tangible information about the so-called Chinese company, including its name, management and other basic information.

193. After Murphy left the meeting, Luppino hosted a meeting with representatives of WTEC at his home. During that meeting, an agreement detailing a potential revised acquisition was discussed.

194. The following day, on June 9, 2011, Gurfein attended a meeting between Murphy and Taylor on the one hand, and the WTEC group on the other. WTEC made the bullet-point presentation that had been hammered out at Luppino's home, but Murphy and Taylor, based solely on their self interest and to the detriment of W2E, rejected it without discussion. Murphy and Taylor told Gurfein that they were not going to deal with "the Canadians."

195. On our about June 28, 2011, Murphy gave Luppino a "Position Paper" describing a proposed transaction with an undisclosed group of Chinese investors, but without any specific information about the identity or whereabouts of this company or its management. Luppino later came to learn that the Chinese investors were Reliance.

196. It was at this time that Luppino and Savage consulted with bankruptcy counsel to explore their options. It was clear that there was chaos in the leadership of the Company, and that Murphy and Taylor were not acting in the best interest of the Company's creditors, to whom they owed a fiduciary duty.

197. Ultimately, it was decided that a change in management was required. The only way to change the management was through the appointment of a bankruptcy trustee. Too many voting shares were held closely by affiliates of management for a change to be accomplished by a simple vote. Indeed, due to Taylor's and Murphy's clear lack of independence and past wrongs, it would have been futile for the Debenture Holders to make a demand on them to relinquish control of W2E. Taylor, W2E's sole Board member, could not have properly exercised independent and disinterested judgment in responding to any such demand.

198. By August 2011, the motion for a trustee had been filed. On September 15, 2011, the Bankruptcy Court entered an Order Authorizing and Directing the Appointment of a Chapter 11 Trustee. In or about October 2011, a Trustee was appointed.

COUNT ONE
(Violations of Section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C.A. § 78j(b), and/or Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5 Against Christopher D'Arnaud-Taylor and Peter Bohan)

199. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

200. This claim is brought against defendants Taylor and Bohan for violations of §10(b) of the 1934 Act (15 U.S.C. §78j) and SEC Rule 10b-5 (17 C.F.R. §240.10b-5) promulgated there under.

201. Plaintiff has standing to bring a private damage action pursuant to SEC Rule 10b-5 as Plaintiff is an assignee of individuals who were, at all relevant times, actual "purchasers" of securities, as that term is defined by the 1934 Act.

202. Defendants, Taylor and Bohan, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or the mails, engaged and participated in the wrongful conduct herein alleged.

203. Taylor and Bohan, in connection with the Debenture Offering, with a reckless disregard of the facts available to them: (a) employed manipulative devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business, in contravention of SEC Rule 10b-5 and other rules and regulations prescribed by the SEC.

204. Taylor and Bohan recklessly disregarded the truth of the material misrepresentations set forth herein.

205. Taylor's and Bohan's material misrepresentations and/or omissions were made with reckless disregard of the truth for the purpose and effect of inducing the Debenture Holders to invest in W2E.

206. At the time of said misrepresentations and/or omissions, the Debenture Holders were unaware of the falsity of the material misrepresentations and/or omissions, and believed them to be true and relied on Taylor's and Bohan's representations in purchasing Debentures and investing in W2E. Had the Debenture Holders known the truth regarding Taylor's and Bohan's material misrepresentations and/or omissions, they would not have entrusted their assets to W2E or purchased the W2E securities.

207. Additionally, disclosure of the omitted material facts would have been viewed by the Debenture Holders as having significantly altered the total mix of information made available.

208. By virtue of the foregoing, Defendants have violated Section 10(b) of the 1934 Act, and Rule 10b-5 promulgated thereunder.

209. As a direct and proximate result of Defendants' wrongful conduct, as aforesaid, the Plaintiff, as the assignee of certain of the Debenture Holders has suffered, and will continue to suffer, substantial damages.

WHEREFORE, Plaintiff, Gavin/Solmonese LLC, the Liquidating Trustee, demands judgment against Defendants, Christopher D'Arnaud-Taylor, and Peter Bohan, jointly and severally, as follows:

A. For compensatory, consequential and incidental damages;

B. For pre-judgment interest and post-judgment interest;

C. For punitive damages;

D. For attorneys' fees and costs of suit; and

E. For such further and additional relief as the Court deems just and equitable under the circumstances.

COUNT TWO
(Violations of Section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C.A. § 78j(b), and/or Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5 Against Charles Vista, LLC, Gregg Lorenzo, and Francis Lorenzo)

210. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

211. This claim is brought against Defendants Charles Vista, LLC, Gregg Lorenzo and Francis Lorenzo for violations of §10(b) of the 1934 Act (15 U.S.C. §78j) and SEC Rule 10b-5 (17 C.F.R. §240.10b-5) promulgated thereunder.

212. Plaintiff has standing to bring a private damage action pursuant to SEC Rule 10b-5 as Plaintiff is an assignee of the rights and interests of individuals who were, at all relevant times, actual "purchasers" of securities, as that term is defined by the 1934 Act.

213. Defendant Vista, GLorenzo and FLorenzo, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or the mails, engaged and participated in the wrongful conduct herein alleged.

214. Defendants GLorenzo and FLorenzo had direct and supervisory involvement in the day-to-day operations of Vista and, therefore, had the power to, and did, control or influence Vista and its employees in the acts as alleged herein.

215. In connection with the sale of the Debentures, Vista, GLorenzo and FLorenzo with a reckless disregard of the facts available to them: (a) employed manipulative devices,

schemes, and artifices to harm investors; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business, in contravention of SEC Rule 10b-5 and other rules and regulations prescribed by the SEC and in an effort to enrich themselves.

216. Defendants Vista, GLorenzo and FLorenzo's misrepresentations and/or omissions were made with reckless disregard of the truth for the purpose and effect of inducing the Debenture Holders to invest in W2E because, GLorenzo as Vista's indirect owner and person who controlled Vista, and FLorenzo, as an employee of Vista who earned commissions, received direct and substantial monetary benefits through the sale of W2E's Debentures. Through Vista's agreement with W2E, GLorenzo and FLorenzo, stood to receive, *inter alia:* (1) a 10% commission on the gross proceeds of all Debenture sales (which if fully subscribed would equal $1.5 million); (2) a 3% expense allowance on the same proceeds ($450,000 assuming the Debenture Offering was fully subscribed); (3) a consulting fee of $10,000 per month for twelve months starting at the initial closing of the Debenture Offering (another $120,000); (4) an investment banking fee equal to $125,000 for each $2,500,000 of Debentures sold, (another $750,000); (5) a 13% commission/expense allowance upon the exercise of the warrants issued to the purchasers of the Debentures (another $1,950,000); and (6) a warrant to purchase up to 4.5 % of W2E's outstanding shares proportionate to the amount of Debentures sold (at a $.01 exercise price). Pursuant to these contract provisions, W2E was contractually obligated to pay Vista at least $4,770,000 assuming the Debenture Offering was fully subscribed.

217. At the time of said misrepresentations and/or omissions, the Debenture Holders were ignorant of the falsity of the misrepresentations and omissions, and believed them to be true and relied on these Defendants' misrepresentations and/or omissions in purchasing Debentures

and investing in W2E. Had the Debenture Holders known the truth regarding Defendants' materially false statements and omissions, they would not have entrusted their assets to W2E or purchased the Debentures.

218. Additionally, disclosure of the omitted facts would have been viewed by the Debenture Holders as having significantly altered the total mix of information made available.

219. By virtue of the foregoing, Defendants Vista, GLorenzo and FLorenzo have violated Section 10(b) of the 1934 Act, and Rule 10b-5 promulgated thereunder.

220. As a direct and proximate result of Defendants Vista, GLorenzo and FLorenzo's reckless conduct, Plaintiff, as the assignee of certain of the Debenture Holders has suffered, and will continue to suffer, substantial damages.

WHEREFORE, Plaintiff, Gavin/Solmonese LLC, the Liquidating Trustee, demands judgment against Defendants Charles Vista, LLC, Gregg Lorenzo, and Francis Lorenzo, jointly and severally, as follows:

A. For compensatory, consequential and incidental damages;

B. For pre-judgment interest and post-judgment interest;

C. For punitive damages;

D. For attorneys' fees and costs of suit; and

E. For such further and additional relief as the Court deems just and equitable under the circumstances.

COUNT THREE
(Violation of Section 20(a) of the Securities Exchange Act of 1934, 15 U.S.C. § 78t Against Christopher D'Arnaud-Taylor, and Peter Bohan)

221. Plaintiff repeats and re-alleges each and every allegation contained above as it fully set forth herein.

222. Defendants Taylor and Bohan acted as a control group of Vista, GLorenzo and FLorenzo within the meaning of § 20(a) of the 1934 Act.

223. Defendants Taylor and Bohan also acted as a control group of W2E.

224. In particular, Bohan and Taylor had direct and supervisory involvement in the day-to-day operations of W2E and, therefore, are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein and exercised the same.

225. Taylor and Bohan had the power to influence and control, and did in fact directly influence and control the decision making at W2E and the actions of Vista, its employees and, in particular, Vista, GLorenzo and FLorenzo in connection with the Debenture Offering.

226. Taylor and Bohan recklessly disregarded the statements alleged by Plaintiff to have been misrepresentations and/or omissions prior to, during, and/or shortly after these misrepresentations were made and had the ability to prevent the issuance of the statements or to cause the statements to be corrected, however, they did not.

227. In connection with the Debenture Offering, Taylor and Bohan controlled Vista, GLorenzo and FLorenzo while they recklessly made material misrepresentations and/or omissions as agents of W2E.

228. As set forth herein, Vista, GLorenzo and FLorenzo violated §10b of the 1934 Act and Rule 10b-5 by making material misrepresentations and/or omissions and inducing the Debenture Holders to purchase the Debentures.

229. Therefore, by virtue of their position as a control group, Defendants are liable, jointly and severally, pursuant to § 20(a) of the 1934 Act.

230. As a direct and proximate result of Defendants' reckless conduct, as aforesaid, Plaintiff, as the assignee of certain of the Debenture Holders has suffered, and will continue to suffer, substantial damages.

WHEREFORE, Plaintiff, Gavin/Solmonese LLC, the Liquidating Trustee, demands judgment against Defendants, Christopher D'Arnaud-Taylor and Peter Bohan, jointly and severally, as follows:

A. For compensatory, consequential and incidental damages;

B. For pre-judgment interest and post-judgment interest;

C. For punitive damages;

D. For attorneys' fees and costs of suit; and

E. For such further and additional relief as the Court deems just and equitable under the circumstances.

COUNT FOUR
(Negligent Misrepresentation
Against Christopher D'Arnaud-Taylor, Peter Bohan, Charles Vista, LLC, Gregg Lorenzo, Francis Lorenzo)

231. Plaintiff repeats and re-alleges each and every allegation contained above as it fully set forth herein.

232. As part of their effort to obtain investments from the Debenture Holders, Defendants negligently made material misrepresentations and/or omissions.

233. At all times referenced herein, Defendants owed the Debenture Holders a duty to convey accurate and competent information.

234. Defendants failed to exercise reasonable care and competence in making said representations to the Debenture Holders and reasonably should have known that said representations were false at the time they were made.

235. In reasonable and justifiable reliance on Defendants' misrepresentations and/or omissions, as aforesaid, the Debenture Holders infused significant capital into W2E, under the belief that Defendants' representations were true.

236. As a direct and proximate result of Defendants' negligent conduct, as aforesaid, Plaintiff, as assignee of certain of the Debenture Holders has suffered, and will continue to suffer, substantial damages.

WHEREFORE, Plaintiff, Gavin/Solmonese LLC, the Liquidating Trustee, demands judgment against Defendants, Christopher D'Arnaud-Taylor, Peter Bohan, Charles Vista, LLC, Gregg Lorenzo and Francis Lorenzo, jointly and severally, as follows:

A. For compensatory, consequential and incidental damages;

B. For pre-judgment interest and post-judgment interest;

C. For punitive damages;

D. For attorneys' fees and costs of suit; and

E. For such further and additional relief as the Court deems just and equitable under the circumstances.

COUNT FIVE
(Unjust Enrichment
Against Charles Vista, LLC, Gregg Lorenzo, and Francis Lorenzo)

237. Plaintiff repeats and re-alleges each and every allegation contained above as it fully set forth herein.

238. Vista, GLorenzo and FLorenzo have been unjustly enriched to the extent of, at a minimum, any fees, commissions, bonuses, or other form of remuneration and/or proceeds derived from, or relating to the sale of the Debentures.

239. It would be inequitable for Defendants to retain the financial benefits received from the sale of the Debentures.

240. As a direct and proximate result of Defendants' conduct, as aforesaid, Plaintiff, as assignee of certain of the Debenture Holders has suffered, and will continue to suffer, substantial damages.

WHEREFORE, Plaintiff, Gavin/Solmonese LLC, the Liquidating Trustee, demands judgment against Defendants, Charles Vista, LLC, Gregg Lorenzo and Francis Lorenzo, jointly and severally, as follows:

A. For compensatory, consequential and incidental damages;

B. For pre-judgment interest and post-judgment interest;

C. For punitive damages;

D. For attorneys fees and costs of suit; and

E. For such further and additional relief as the Court deems just and equitable under the circumstances.

COUNT SIX
(Breach of Fiduciary Duty
Against Christopher D'Arnaud-Taylor)

241. Plaintiff repeats and re-alleges each and every allegation contained above as it fully set forth herein.

242. In carrying out his responsibilities as an Officer and Chairman of the Board of Directors, Taylor owed W2E and because of its insolvency, its creditors, fiduciary duties including, without limitation, duties of care, trust, competence, loyalty, good faith and the duty to properly monitor and exercise oversight over the operations of W2E and anyone hired by W2E.

243. As set forth above, Taylor breached his duties to W2E by, *inter alia*, mismanaging W2E, failing to hire competent personnel, refusing to remove incompetent personnel, removing competent personnel from their positions, permitting Murphy to loot and drain W2E's finances, and completely mismanaging W2E. Although Taylor was aware of Murphy's detrimental actions, he did nothing to stop him.

244. Rather than removing Murphy from his position, Taylor made him a director of W2E's IOM subsidiaries and promoted him to CEO knowing Murphy was a severe detriment to W2E's business operations.

245. Taylor failed to monitor and/or supervise W2E's employees, officers, managers and supervisors and completely abdicated his responsibilities to W2E.

246. Taylor's actions and/or inactions were done for his own self interest, intentionally, in bad faith, and with no genuine care for the Company or its creditors.

247. Taylor consciously failed to monitor or oversee Murphy's and W2E's operations and, thus, disabled himself from being informed of risks or problems requiring his attention. Even when he was aware of risks and problems, Taylor refused to act to correct these issues.

248. Taylor's longstanding personal and business relationship with Murphy caused him to act to the detriment of W2E and to the benefit of himself and Murphy.

249. Taylor exhibited intentional dereliction of duty and/or a conscious disregard for his responsibilities.

250. No reasonable business person would have made the decisions made by Taylor. His actions were not done for any rational business purpose.

251. Taylor's breach of fiduciary duty amounted to, *inter alia*, corporate waste, self dealing, intentional failure of oversight, and intentional failure to monitor.

252. Taylor's actions were willful, wanton, malicious, and/or in conscious disregard of W2E's rights.

253. As a direct and proximate result of Taylor's wrongful conduct, as aforesaid, W2E and its creditors have suffered substantial damages.

WHEREFORE, Plaintiff, Gavin/Solmonese LLC, the Liquidating Trustee, demands judgment against Defendant, Christopher D'Arnaud-Taylor, as follows:

A. For compensatory, consequential and incidental damages;

B. For pre-judgment interest and post-judgment interest;

C. For punitive damages;

D. For attorneys' fees and costs of suit; and

E. For such further and additional relief as the Court deems just and equitable under the circumstances.

COUNT SEVEN
(Breach of Fiduciary Duty Against Peter Bohan)

254. Plaintiff repeats and re-alleges each and every allegation contained above as it fully set forth herein.

255. In carrying out his responsibilities as an officer, Bohan owed W2E, and because of its bankruptcy, its creditors, fiduciary duties including, without limitation, duties of care, trust, competence, loyalty, good faith and the duty to properly monitor and exercise oversight over W2E and its employees. As set forth above, Bohan breached his duties to W2E by, *inter alia*, mismanaging W2E, failing to hire competent personnel, refusing to remove incompetent personnel, permitting Murphy to loot and drain W2E's finances and permitting Murphy to

completely mismanage W2E. Although Bohan was aware of Murphy's detrimental actions, he failed to act promptly to stop him.

256. Bohan failed to monitor and/or supervise W2E's operations, employees, officers, mangers, supervisors and completely abdicated his responsibilities to W2E. He disabled himself from being informed of risks or problems requiring his attention. Even when he did see risks and problems, Bohan failed to act to correct these issues.

257. Bohan exhibited an intentional dereliction of duty and/or a conscious disregard for his responsibilities.

258. No reasonable business person would have made the decisions made by Bohan. His actions were not done for any rational business purpose.

259. Bohan's breach of fiduciary duty amounted to, *inter alia*, corporate waste, self dealing, intentional failure of oversight, and intentional failure to monitor.

260. Bohan's actions were willful, wanton, malicious, and/or in conscious disregard of W2E's rights.

261. As a direct and proximate result of Bohan's wrongful conduct, as aforesaid, W2E and its creditors have suffered substantial damages.

WHEREFORE, Plaintiff, Gavin/Solmonese LLC, the Liquidating Trustee, demands judgment against Defendant, Peter Bohan, as follows:

A. For compensatory, consequential and incidental damages;

B. For pre-judgment interest and post-judgment interest;

C. For punitive damages;

D. For attorneys' fees and costs of suit; and

E. For such further and additional relief as the Court deems just and equitable under the circumstances.

COUNT EIGHT
(Breach of Fiduciary Duty
Against John Joseph Murphy)

262. Plaintiff repeats and re-alleges each and every allegation contained above as it fully set forth herein.

263. As set forth above, Murphy was a member of the board of W2E's IOM subsidiaries and the *de facto* officer of W2E from 2007 until May, 2011 when he was formally named CEO.

264. In carrying out his responsibilities as an officer and/or director, Murphy owed W2E, and due to its insolvency, its creditors, fiduciary duties including, without limitation, duties of care, trust, competence, loyalty, and good faith. As set forth above, Murphy breached his duties by, *inter alia*, mismanaging W2E, failing to hire competent employees, removing competent employees from their positions, looting the company, permitting employees to loot the Company, draining W2E's finances, engaging in acts of self-dealing, remaining in a position he knew he was not qualified for all so he could use W2E as his personal piggy bank to make extravagant purchases for himself and his family.

265. As a direct and proximate result of Murphy's wrongful conduct, as aforesaid, W2E and its creditors have suffered substantial damages.

WHEREFORE, Plaintiff, Gavin/Solmonese LLC, the Liquidating Trustee, demands judgment against Defendant, John Joseph Murphy, as follows:

A. For compensatory, consequential and incidental damages;

B. For pre-judgment interest and post-judgment interest;

C. For punitive damages;

D. For attorneys' fees and costs of suit; and

E. For such further and additional relief as the Court deems just and equitable under the circumstances.

COUNT NINE
(Conversion/Misappropriation
Against John Joseph Murphy)

266. Plaintiff repeats and re-alleges each and every allegation contained above as it fully set forth herein.

267. As set forth above, Murphy intentionally exercised unauthorized dominion and control over W2E funds, for his own benefit.

268. As a direct and proximate result of Murphy's wrongful conduct, as aforesaid, W2E and its creditors have suffered substantial damages.

WHEREFORE, Plaintiff, Gavin/Solmonese LLC, the Liquidating Trustee, demands judgment against Defendant, John Joseph Murphy, as follows:

A. For compensatory, consequential and incidental damages;

B. For pre-judgment interest and post-judgment interest;

C. For punitive damages;

D. For attorneys' fees and costs of suit; and

E. For such further and additional relief as the Court deems just and equitable under the circumstances.

COUNT TEN
(Negligent Hiring/Supervision/Retention
Against Christopher D'Arnaud-Taylor and Peter Bohan)

269. Plaintiff repeats and re-alleges each and every allegation contained above as it fully set forth herein.

270. As set forth above, Taylor and Bohan were aware that Murphy was unqualified for his various positions at W2E. Taylor and Bohan knew that Murphy had no engineering, technical or scientific background and had a history of defrauding creditors.

271. Despite this, Taylor and Bohan not only hired Murphy, but promoted him to CEO knowing he was a severe detriment to W2E's business operations.

272. Taylor and Bohan had a duty to supervise Murphy and negligently failed to do so.

273. Taylor and Bohan failed to hire competent personnel, refused to remove incompetent personnel, removed competent personnel from their positions, permitted Murphy to loot and drain W2E's finances, and completely mismanage W2E.

274. Taylor and Bohan failed to monitor and/or supervise W2E's employees, officers, mangers and supervisors.

275. As a direct and proximate result of Taylor's and Bohan's wrongful conduct, as aforesaid, W2E and its creditors have suffered substantial damages.

WHEREFORE, Plaintiff, Gavin/Solmonese LLC, the Liquidating Trustee, demands judgment against Defendant, Christopher D'Arnaud-Taylor and Peter Bohan, as follows:

A. For compensatory, consequential and incidental damages;

B. For pre-judgment interest and post-judgment interest;

C. For punitive damages;

D. For attorneys' fees and costs of suit; and

E. For such further and additional relief as the Court deems just and equitable under the circumstances.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury in this action for all issues so triable.

JURY TRIAL DEMANDED

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Dated: September 11, 2013

Respectfully submitted,

COLE, SCHOTZ, MEISEL,
FORMAN & LEONARD, P.A.,
A Professional Corporation
Attorneys for Gavin/Solmonese LLC, the Liquidating Trustee

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
NEW YORK REGIONAL OFFICE
200 Vesey Street, Suite 400
NEW YORK, NY 10281-1022

JACK KAUFMAN
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January 20, 2015

VIA UPS OVERNIGHT

Brent J. Fields, Secretary
Office of the Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Mail Stop 1090
Washington, D.C. 20549
FAX: 202-772-9324

Re: In the Matter of Francis V. Lorenzo, et al., Admin. Proc. File No. 3-15211

Dear Mr. Fields:

Enclosed please find an original and three copies of the Division of Enforcement's Response to Respondent Francis V. Lorenzo's Notice of Supplemental Authority.

Respectfully submitted,

Jack Kaufman
Senior Trial Counsel
Division of Enforcement

cc: Robert G. Heim, Esq.