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

NOBLE INVESTMENTS LIMITED,

Plaintiff,

v.

KEITH DALRYMPLE VICTORIA DALRYMPLE, DALRYMPLE FINANCE LLC, AND JOHN DOES 1 - 100

Defendants.

Index No.

Date Purchased: March 27, 2012

Plaintiffs designate New York County as the Place of trial

SUMMONS

TO THE ABOVE NAMED DEFENDANTS:

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer, or, if the complaint is not served with this summons, to serve a notice of appearance, on plaintiff's attorneys within 20 days after service of this summons, exclusive of the date of service (or within 30 days after service is complete if this summons is not personally delivered to you within the State of New York); and in case of your failure to appear or answer, judgment will be taken against you by default for the relief demanded in the Complaint.

Venue is proper in this Court pursuant to CPLR § 503(a).

Dated: San Francisco, California
March 27, 2012

GROSS LAW

By: */s/ Stuart G. Gross*
Stuart G. Gross
The Embarcadero
Pier 9, Suite 100

San Francisco, California 94111
Tel: (415) 671-4628
Fax: (415) 480-6688

Benjamin Klein
THE LAW OFFICES OF BENJAMIN KLEIN
61 Broadway Avenue, Suite 2125
New York, New York 10006
Tel: (646) 400-5491
Fax: (646) 368-8401

Attorneys for Plaintiff Noble Investments Limited

TO:

Keith Dalrymple
2320 E Preserve Way Apt. 205
Miramar, FL 33025-3921

Victoria Dalrymple
2320 E Preserve Way Apt. 205
Miramar, FL 33025-3921

Dalrymple Finance, LLC
c/o Agents and Corporations, Inc.
300 Fifth Avenue South, Suite 101-330
Naples, FL 34102

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

NOBLE INVESTMENTS LIMITED, Plaintiff, v. KEITH DALRYMPLE VICTORIA DALRYMPLE, DALRYMPLE FINANCE LLC, AND JOHN DOES 1 - 100 Defendants.	**COMPLAINT FOR DAMAGES AND EQUITABLE RELIEF** Index No.

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Plaintiff Noble Investments Limited ("Noble" or "Plaintiff"), brings this action, directly and as assignee of Gerova Financial Group, Ltd. ("Gerova" or the "Company"), against Defendants Keith Dalrymple, Victoria Dalrymple, Dalrymple Finance, LLC, and John Does 1-100 (collectively, "Defendants") and alleges as follows based on information and belief, except where concerning itself which is based on personal knowledge:

I. NATURE OF THE CASE

1. This action seeks to hold responsible Defendants, who, with the assistance of an international network of co-conspirators, engaged in a calculated and multipronged attack on the reputation of Gerova and the share price of Gerova's securities, and as a result caused financial and reputation injuries to Gerova and Noble in the hundreds of millions of dollars.

2. Defendants engaged in what is colloquially known as a "***short and distort***" scheme, a type of securities fraud, in which persons massively short sell a company's stock—often *nakedly*, i.e. without borrowing or otherwise gaining the rights to shares they are "selling"—and then attack the company's reputation by spreading false and defamatory information concerning the company. If such a scheme is successful, both the short-selling itself as well the effect of the false and defamatory information in the marketplace cause the company's share price to drop and the scheme's perpetrators to reap huge illegal profits at the expense of the company's investors, the value of whose shares has now been greatly reduced.[1]

3. The financial crisis and the resulting bear markets provided the perfect opportunity for short sellers to engage in these manipulative schemes. The volatility and uncertainty created by turmoil in the financial markets created a heightened sensitivity to information being distributed, especially negative information, and this sensitivity makes it

[1] In a recent criminal case, *U.S. v. Minkow*, No. 11-20209, brought by the Southern District of Florida United States Attorney with a fact pattern is remarkably similar to that alleged here, the defendant pled guilty to conspiracy to commit securities fraud in violation of 18 U.S.C. § 371. The defendant was sentenced, on July 21, 2011, to five years in prison and ordered to pay $583,500,000 in restitution. This sentence represented a 30 level sentencing guideline enhancement, as result of the estimated monetary loss caused by the scheme, under the United States Sentencing Commission, Guidelines Manual, §2B1.1(b)(1)(P) (Nov. 2010). Had the defendant been convicted at trial, rather accepting a plea bargain, he would have faced a possible sentence of 30 years or more.

easier for those looking to manipulate stock prices downward through the dissemination of such false negative information.

4. Often these short sellers work as groups in order to carry out their desired objective of damaging a company's reputation to the extent that the stock price is depressed for their own financial gain. As Kroll reported in their January 2009 Global Fraud Report, "A growing number of brokers and traders are creating loosely organized cartels which start negative rumors about companies whose shares they are short-selling."

5. In the case of Defendants' scheme, the consequences were devastating for Gerova, Noble and Gerova's other investors. In the course of just two months in the beginning of 2011, Defendants' scheme caused the Company's share price to fall from approximately $27 to approximately $6, destroying hundreds of millions of dollars in market capitalization, scuttling major share-based mergers by the Company that had been planned and expected to close, and ultimately destroying the Company as an operating entity. Noble as one of the initial seed investors and creditors of the Company—having provided $5,725,000 in cash and another $500,000 in loans to the Company at its formation approximately two years before—was particularly injured. Noble lost all of its investment, as well as all of the future benefits it was probable that it would have received based thereon. Indeed, immediately prior to the Defendants' attack on the Company's reputation and the precipitous decline in the Company's share price it triggered, freely tradable shares held by Noble were worth approximately $17 million dollars; they are now virtually worthless. Furthermore, Noble was specifically identified as the sponsor of Georva in the false and defamatory information that Defendants authored and published concerning the Company, and has had its reputation and ability to profitably conduct its business as a sponsor and organizer of investments permanently and substantially injured as a result of Defendants' successful attack on Gerova.

6. In the remainder of this section, the scheme perpetrated by Defendants and their co-conspirators is summarily described; the details of the schemes and identities of its participants follows.

7. Over the course of late 2010, Defendants and their co-conspirators—which included: market participants based in, and/or from, the Eastern European country of Bulgaria; a convicted felon who had previously sought to extort millions of dollars from the Company;and at least one "client" of the Defendants—amassed huge short-positions in the Company's stock. With the financial position then set, in early 2011—with the assistance of their network of co-conspirators the sophisticated utilization of the financial blogosphere, including the mainstream media site Forbes.com—Defendants launched a premeditated campaign of distortion and misinformation, which had the purpose and effect of depressing the price of the Company's stock and frustrating previously announced acquisitions by the Company.

8. Through the deliberate authorship, publication and wide dispersal of false and defamatory information concerning the Company, Defendants and their co-conspirators successfully manipulated the market for the Company's securities and intentionally frustrated previously announced acquisitions by the Company that were very likely to earn the Company and its shareholders substantial returns. The Defendants conspired to create their own false and defamatory 'inside information' and then commercially exploited the false 'inside information' to profit at the direct expense of the investing public. It is securities fraud and is illegal.

9. Through the successful execution of their short and distort attack, Defendants reaped enormous illegal and unjust profits at the expense of Gerova, Noble and other investors in the Company, including residents in the state of New York, who collectively lost hundreds of millions of dollars as a result of Defendants' wrongful conduct.

10. In January 2008, Noble invested $5,725,000 of seed money in the Company, then known as Asia Special Situation Acquisition Corporation ("ASSAC"), and provided it with a $500,000 bridge loan. At this point in its existence, the Company was what is known as a special purpose acquisition company ("SPAC") or "blank check" company. As the term "SPAC" suggests, the business objectives of the Company, at this stage, were to identify and acquire operating companies for the benefit of the Company's investors. These investors included not just Noble—which received warrants in exchange for its investment—but also persons, including New York residents, who purchased $115 million worth of units, consisting

of one share and one warrant, in an initial public offering ("IPO") on the American Stock Exchange ("AMEX") completed on January 6, 2008. The free-trading shares into which Noble converted its shares on June 18, 2010 were worth approximately $17 million prior to the initiation of Defendants' scheme; the shares, all of which Noble still holds, are now virtually worthless. The total market capitalization of the Company prior to the initiation of Defendants' scheme was approximately $800 million; it is now almost nothing.

11. During the thirty-five months following the IPO, the Company worked to execute its business plan for the benefit of Noble and its other investors. And while it hit certain speed bumps along the way—all of which were meticulously disclosed to Noble and the Company's other investors—by December of 2010, the Company was poised to succeed, and Noble was poised to realize the economic benefit of its investment.

12. The Company had executed share-for-share merger agreements for the combination with two prominent securities businesses, Seymour Pierce Holdings Limited ("Seymour Pierce"), a London based merchant and investment bank founded in 1803, and Ticonderoga Securities LLC ("Ticonderoga"), a New York based institutional broker dealer, bringing to Gerova over 225 staff along with a new Chairman and CEO, who had formerly served as global CEO of HSBC Investment Bank, one of the largest banks in the world, and was poised to make other portfolio acquisitions, including that of the life settlement firm, HM Ruby. The consummation of these share-based transactions would have finalized the transformation of Gerova from a "blank check" company to a diversified operating business with proven management. Notably, in light of the tenor and substance of the false and defamatory information that Defendants and their co-conspirators spread concerning the Company, the acquisition of, and combination with, these highly regulated securities businesses would have imposed on the Company stringent governance and reporting obligations to the both the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA") in the U.S. and the Financial Services Authority ("FSA") in the U.K. This would have been in addition to the governance and reporting requirements that already applied to the Company as a U.S. listed foreign issuer and off-shore reinsurer, requirements with which the

record shows—in contradiction to the misinformation spread by Defendants in their co-conspirators—the Company had meticulously complied.

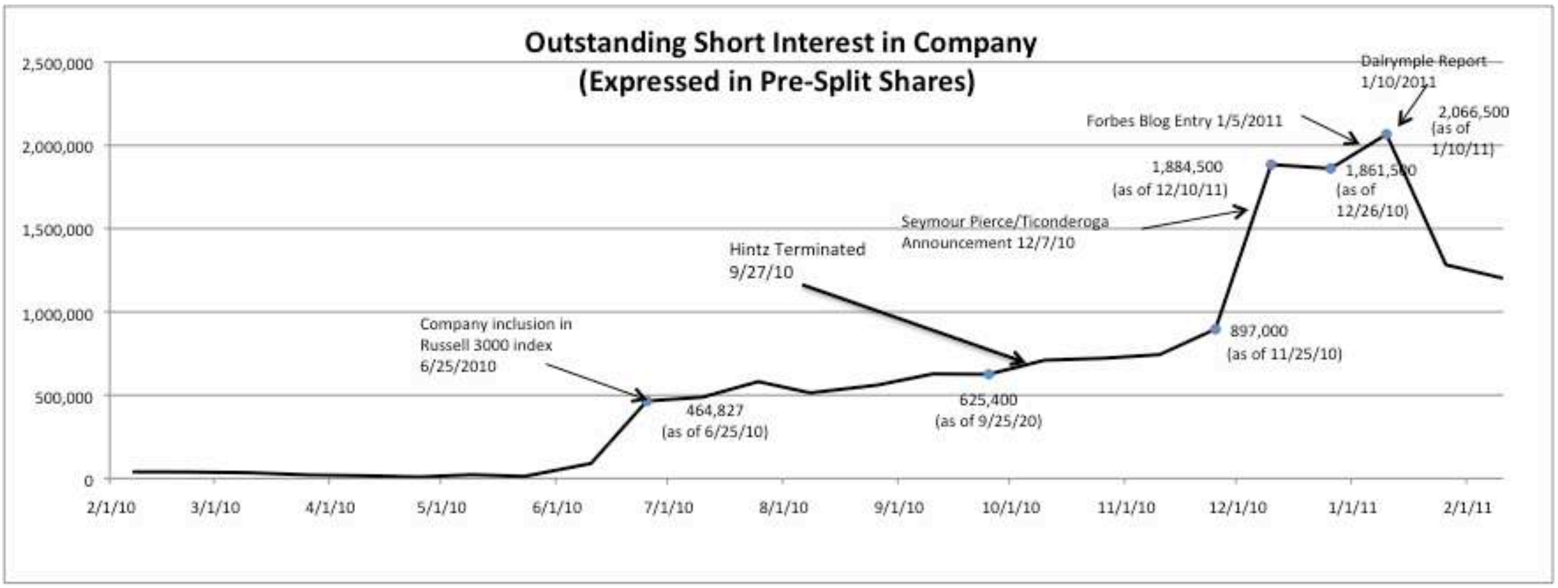
13. Little did Noble or anyone in the Company know that Defendants and their co-conspirators had by this point taken the first step in their scheme—they massively short sold the Company's stock. Indeed, in a sworn declaration, Defendant Keith Dalrymple admits that, in advance of spreading the false and defamatory information described herein concerning the Company, he entered into short sales of Gerova stock for the account of Victoria Dalrymple, his own account, and at least one "client of Dalrymple Finance."

14. The short interest ultimately peaked on or around January 10, 2011, the day on which the Defendants and their co-conspirators initiated their largest coordinated assault on the Company's reputation and share price. As the chart below shows, after the Company's stock was included in the Russell 3000 Index and the Company issued its annual report at the end of June 2010, there was an initial jump in the level of outstanding short selling interest in the Company's shares. Around that time, the Defendants admit they began shorting the Company's stock for their own benefit and that of at least one "client of Dalrymple Finance."

15. The shorting activity started to steadily climb until the last week of November 2010 and first week of December 2010 when outstanding short interests (expressed in pre-split shares) more than doubled from 897,000 for the two-week period ending November 25, 2010, to 1,884,500 for the two-week period ending December 10, 2010. The only major event that occurred during this two-week period was the announcement of the Seymour Pierce and Ticonderoga deals, which were unambiguously positive events from a Company shareholder perspective. Thus, the sudden spike in short interest during this period is seemingly inexplicable. However, the subsequent series of events would eliminate any ambiguity in this regard: indeed, Defendant Keith Dalrymple admits in sworn declaration that he began authoring the libelous "report" at the heart of this litigation "[i]n November 2010.

16. The shorting interest ultimately peaked at 2,066,500 (pre-split) shares on or around January 10, 2011, the day on which the Defendants and their co-conspirators initiated their largest coordinated assault on the Company's reputation and share price.

17. The chart below tracks outstanding short positions against the Company's stock—i.e. short positions which their holders had not yet "covered" by purchasing replacement shares in the market for those they had previously short sold—from the approximately two week period ending February 12, 2010, soon after the Company executed its first round of operating company acquisitions, to the halt of trading in the Company's stock on February 23, 2011.



18. Among the telling components of the charted information above are: (i) the huge spike in amount of outstanding short interest against the Company at the end of 2010, when Defendant Keith Dalrymple admits that he began authoring the libelous "report" at the heart of this litigation, and peaking on or around January 10, 2011, the date on which Defendants and their co-conspirators launched their most blistering coordinated attack on the Company's reputation using that "report"; and (ii) the almost equally dramatic drop-off in outstanding short interest against the Company after the attack. These components demonstrate the close coordination with which Defendants and their co-conspirators implemented the three major components of their scheme: the short, the distort, and the cover.

19. With the announcement of the Seymour Pierce and Ticonderoga deals in late 2010, Defendants needed to quickly amass their short positions, launch their misinformation

campaign, and then cover their short positions with shares whose prices had been artificially depressed, before the Seymour Pierce, Ticonderoga and HM Ruby deals were consummated and the Company's share price predictably buoyed thereby. The huge rise in shorting interest in the last part of 2010 and the first 10 days of January 2011, reflects Defendants amassing these positions right up to the eve of their attack on the Company's reputation on January 10, 2011. The equally dramatic drop off in outstanding shorting interest immediately following the January 10, 2011 attack reflects profit-taking by the Defendants, who, immediately after the attack affected the Company's share price, moved in to cover their positions before the negative effect wore off.

20. In an un-manipulated market one would have expected to see the opposite. With the announcement of the Ticonderoga, Seymour Pierce and HM Ruby deals, one would have expected to see short interests decline as holders of the interest move to cover and thus exit those positions before the share price rose. And in an un-manipulated market one would have expected to see short interest increase after release of negative information concerning the Company to the market on January 10, 2011. Instead the opposite occurred, reflecting the operation of Defendants' and their co-conspirators scheme.

21. In retrospect, however, the first noticeably overt move made by Defendants and their co-conspirators did not come on January 10, 2011, but rather five days earlier on January 5, 2011, when their shrewd enlistment of the blogging arm of the mainstream financial press organization Forbes bore fruit.

22. At or around the time Defendants were amassing enormous short bets against the Company's stock in late December 2010 and early January 2011, Defendants' co-conspirator Scott Hintz ("Hintz") contacted Forbes.com blogger Neil Weinberg ("Weinberg"), purportedly with information concerning criminal and other wrongful conduct by persons at the Company. As detailed herein, the Company's affiliate, Net Five Holding, LLC ("Net Five"), had fired Hintz on September 27, 2010 for embezzling money from the Company and falsifying notarized documents. Following his firing, Hintz threatened to slander and libel Net Five and the Company if he was not paid $18 million. The Company and Net Five refused.

23. In 2003, Hintz had pled guilty to federal bank fraud charges and was on probation when he committed the acts that led to his firing from Net Five. On March 23, 2011, Hintz was re-arrested and a federal judge subsequently found there was probable cause that Hintz, while employed at Net Five, had violated the terms of his parole and ordered Hintz to 24-hour home confinement while he awaited prosecution for these alleged new crimes. On February 9, 2012, a federal judge in Atlanta found that Hintz had violated the terms of his supervised release and sentenced Hintz to be incarcerated for another three years.

24. Prior to his latest arrest, Hintz had bragged to several persons that he was involved in the successful attack on the Company alleged herein.

25. On January 5, 2011, the Forbes.com blogger Weinberg published a highly inflammatory and, as detailed herein, false and defamatory blog entry concerning the Company entitled "NYSE-Listed Gerova Financial Has Close Ties To Westmoore Ponzi Scamsters." (http://www.Forbes.com/sites/neilweinberg/2011/01/05/nyses-gerova-financial-has-close-ties-to-westmoore-ponzi-scamsters/).

26. The blog entry had a veneer of financial reporting legitimacy based on the use of the Forbes brand. Exploiting the perceived journalistic integrity of Forbes Magazine, the entry stated (incorrectly) that the Company had not "issued a financial statement since December 2009," implying that the Company was "concealing" information. The entry only begrudgingly conceded that this was in accordance with the SEC reporting rules that applied to the Company as foreign issuer and ignored that the financial report in question was issued in June 2010, and while technically only covering fiscal year 2009, included copious disclosures of information concerning events that had occurred in the first half of 2010. Forbes therefore furthered a key aim of Defendants and their co-conspirators : creating a false impression of a lack of reporting by the Company.

27. Indeed, the bulk of the Forbes blog entry consisted of reprinted rumors and falsehoods gleaned from "stock message boards and an anonymous tipster," according to whom, Weinberg claimed, "[t]he story line is that Gerova and dozens of satellite companies are secretly being manipulated as part of a bid to pump up share prices and dump them on unsuspecting

investors." As detailed below, no facts support this "story line," or Weinberg's conclusion that there were "sinister forces at play." Rather, the reality is that the Company, after hitting a few copiously disclosed developmental hurdles in its transition from a SPAC to an operating company, was poised for success to the substantial financial benefit of Noble and its other stakeholders. And the "anonymous tipster" was Hintz, who, after failing to extort millions from the Company in exchange for his silence had followed through with his threat to spread damaging misinformation. Furthermore, the postings to the "stock message boards," Weinberg mentions (but does not identify as sources) were also authored by Hintz and/or others involved in the scheme. It is known that Hintz has used multiple handles on various message boards to defame the Company and persons associated with it.

28. Notably, too, among the commenters to Weinberg's January 5, 2011 blog entry was a person using the handle "jasonpiccin," who created his account on Forbes.com in January 2011. Other than the two comments he offered in support Weinberg's January 5, 2011 entry, this poster has never before or since felt compelled to comment on any other story on the site.

29. In 2009 and 2010, annual filings on behalf of Defendant Dalrymple Finance, LCC ("Dalrymple Finance") with the Florida Secretary of State, indicate that Dalrymple Finance's principal place of business had been moved from a West Palm Beach, Florida address to an apartment in a working class section of Watertown, Massachusetts, care of Defendants' co-conspirator Jason Piccin ("Piccin"). The filings also listed Piccin's address in the contact information sections for Dalrymple Finance's two listed managers, Defendants Keith Dalrymple and Victoria Dalrymple. In the 2011 annual filing, Jason Piccin's listed roles for Dalrymple Finance, Keith, and Victoria were unchanged, but his contact address had changed to a more upscale neighborhood in Newton, Massachusetts. Jason Piccin and Keith Dalrymple graduated together from nearby Waltham High School in 1983 and are life-long friends.

30. At or around the time Weinberg's January 5, 2011 entry was published, Piccin, Hintz, and Defendants, and/or their co-conspirators tipped-off Weinberg that five days later, on <u>January 10, 2011</u>, Defendants intended to release a "report" that was highly critical of the Company and which, in fact, contained numerous false and defamatory statements concerning

the Company. They further indicated to Weinberg that the report would be made available on the website zerohedge.com, which had recently gained some notoriety for its anonymous and mainly (if not entirely) derogatory postings concerning public companies, a site which one CNBC commentator referred to as residing in one of the "dark and cowardly corners of the blogosphere."[2]

31. Accordingly, at 11:35 a.m. EDT, on January 10, 2011, a blogger, who goes by the pseudonym "Tyler Durden" (based on a character from the movie *Fight Club*), but who is widely known to be Daniel Ivandjiiski ("Ivandjiiski")— a Bulgarian national banned for life by FINRA in 2009 from working in the US securities industry for insider trading —published a fully formed blog entry, with the title "Allegations of 'Shell Game' Fraud Involving Gerova Financial Group (GFC)," in which a *report* from Dalrymple Finance of the same date entitled "Gerova Financial Group (GFC): An NYSE-listed Shell Game" ("Dalrymple GFC Report") was reprinted and link provided for its download. .

32. The blog entry stated in its lead-in to a discussion of the *report*: "From the report, below are the key allegations as to why GFC should trade far, far lower per Dalrymple." The entry further recommended "a bearish bet on this stock may just make a delayed Christmas present for someone..." As discussed herein, the Dalrymple GFC Report, which lists Defendant Keith Dalrymple as its author, contains numerous false and defamatory statements concerning the Company, as well as an admission that Dalrymple Finance and/or its "principals," i.e. Defendants Keith and Vitoria Dalrymple, had shorted the Company's stock in advance of its publication. Defendants have now admitted that they did so not only for their own benefit but also for at least one "client" or Dalrymple Finance.

[2] A search of the Whois database reveals that zerohedge.com is registered to ABC Media, Ltd. in Sofia, Bulgaria, and lists technical and administrative contacts for site at the same Bulgarian address as that listed for ABC Media. The website's server is located outside of Lucerne, Switzerland. A similar search for dalrymplefinance.com, reveals that the registrant of the site has contracted with a company called "Whois Privacy Protection Service, Inc." to hide this information in violation of ICAAN rules. However, the website's server can be located in Sofia, Bulgaria. Defendant and co-owner and manager of Dalrymple Finance, Victoria Dalrymple is native of Bulgaria, where she attended graduate school and remains involved with various organizations there.

33. ***Just fourteen minutes later***, at 11:49 a.m., on January 10, 2011, Weinberg published a blog entry on Forbes.com titled "Gerova Financial Group An NYSE-listed Shell Game: Report," which contained a photo of one of the individuals mentioned in the Dalrymple GFC Report, along with a summary of the 19-page Dalrymple GFC Report and quotes from it. The entry included a link at the end instructing readers that "Dalrymple's report on Gerova can be down loaded here." The link directed readers to the blog entry published by Ivandjiiski on zerohedge.com less than a quarter of an hour before.

34. In doing so, Forbes republished the false and defamatory statements authored and published by Defendants, including that Defendants had "uncovered" previously undisclosed negative information concerning the Company.

35. In fact, as discussed herein, over the previous calendar year the Company had made copious and, indeed, gratuitous disclosures, including in its Proxy Statement mailed to shareholders on January 7, 2010 and again in its Annual Report published on June 2, 2011, filed on Form 6K and 20F, respectively, (and on Form 20-F/A on June 16, 2010), in which the Company not only reported financial information as of December 31, 2009, as required, but also detailed information concerning its financial condition, the condition of the acquired assets and the nature of the transactions it had conducted during the first half of 2010, (including a detailed discussion of associated risk factors). The portrayal by Dalrymple and Forbes was self-serving fiction that plainly distorted reality; the reality that the Company had openly and extensively disclosed information up to a year prior to the defamatory fabrications that Defendants falsely portrayed as explosive revelations to drive down the price of the Company's stock, scuttle its previously announced acquisitions, and earn Defendants and their co-conspirators huge unjustified windfalls as short sellers of the Company's stock.

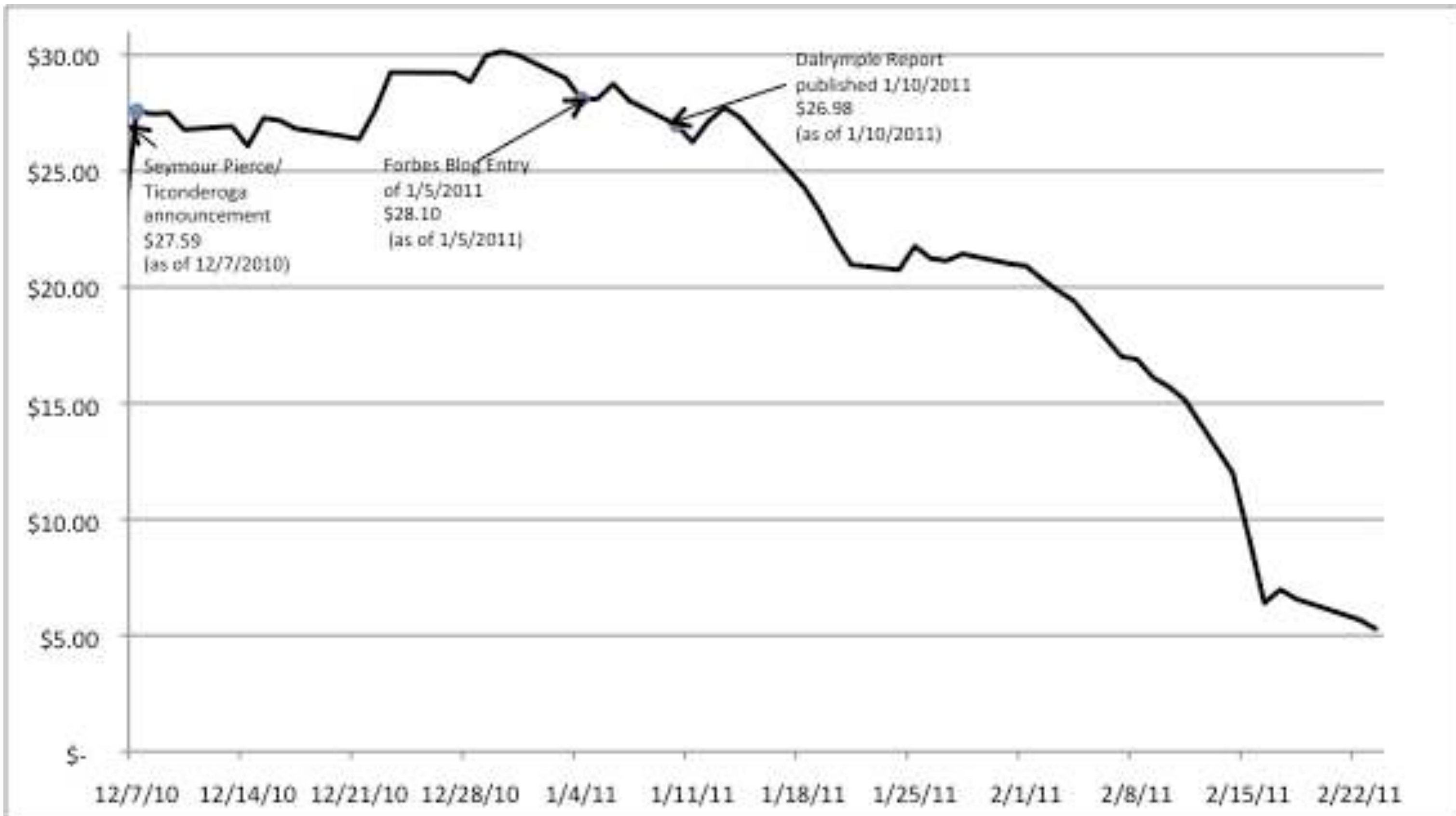
36. Furthermore, central to these false and defamatory "revelations" was the falsehood that Gerova overvalued the acquired assets. However, it is irrefutable and a matter of public record that Gerova did not record any value for these assets in its financial statements – and therefore by definition did not overvalue them. Likewise it is irrefutable that Gerova paid a fixed price per share for the assets and paid exclusively in cancellable restricted stock so that

Gerova shareholders would not be subjected to overvaluation of assets and were, in fact, protected from any such occurrence. Gerova had the right to irrevocably offset the purchase price based on asset valuation and that asset valuation was exclusively to be determined by third party appraisal and independent auditors, not Gerova.

37. Defendants, though clearly aware of these and other facts (and so the falsity of their statements), took extraordinary actions in order to ensure that the false and defamatory statements they authored and published had the greatest possible effect on the price of Gerova stock. Specifically, by coordinating their attack and using multiple financial blogs—including Weinberg's blog on the prominent website Forbes.com and Ivandjiiski's blog on the zerohedge.com—Defendants and their co-conspirators were able to employ the *echo chamber* like quality of the blogosphere to increase the impact of the false and defamatory information on the Company's stock price and ensure that it reached as many investors as possible, including those resident in New York. Not only did the use of multiple blogs increase the initial spread of the information to persons that visited the sites—including investors and other residents of New York—it also contributed to a false and defamatory veneer of credibility that the Defendants had already been able to partially attach to the information through their initial use of Weinberg's blog on January 5th. Thus, what was actually nothing more than a cynical scheme to downwardly manipulate the Company's stock price for the benefit of Defendants and their co-conspirators looked to outsiders like a real story carried "independently" by multiple outlets.

38. A January 18, 2011 article on the investor website fool.com, powerfully evidenced this effect. The article's author stated in regards to the Dalrymple GFC Report and its impact on the Company's stock price: "If only Dalrymple was Georva's only concern. The Dalrymple GFC Report was dated Jan. 10. Five days before that, *Forbes* writer took the company to task with similar allegations." In other words, the plan by Defendants and their co-conspirators to prepare the ground for release of the false statements in the Dalrymple GFC Report through the use of Weinberg worked precisely as planned and multiple sources adopted their false and defamatory narrative.

39. As the chart below shows, the effect that Defendants' attack had on the Company's share price was dramatic and swift. While the Company's shares had previously been trading in the $26-$30 range, after the coordinated attack on January 10, 2011, the share price hit a skid from which it could not recover.



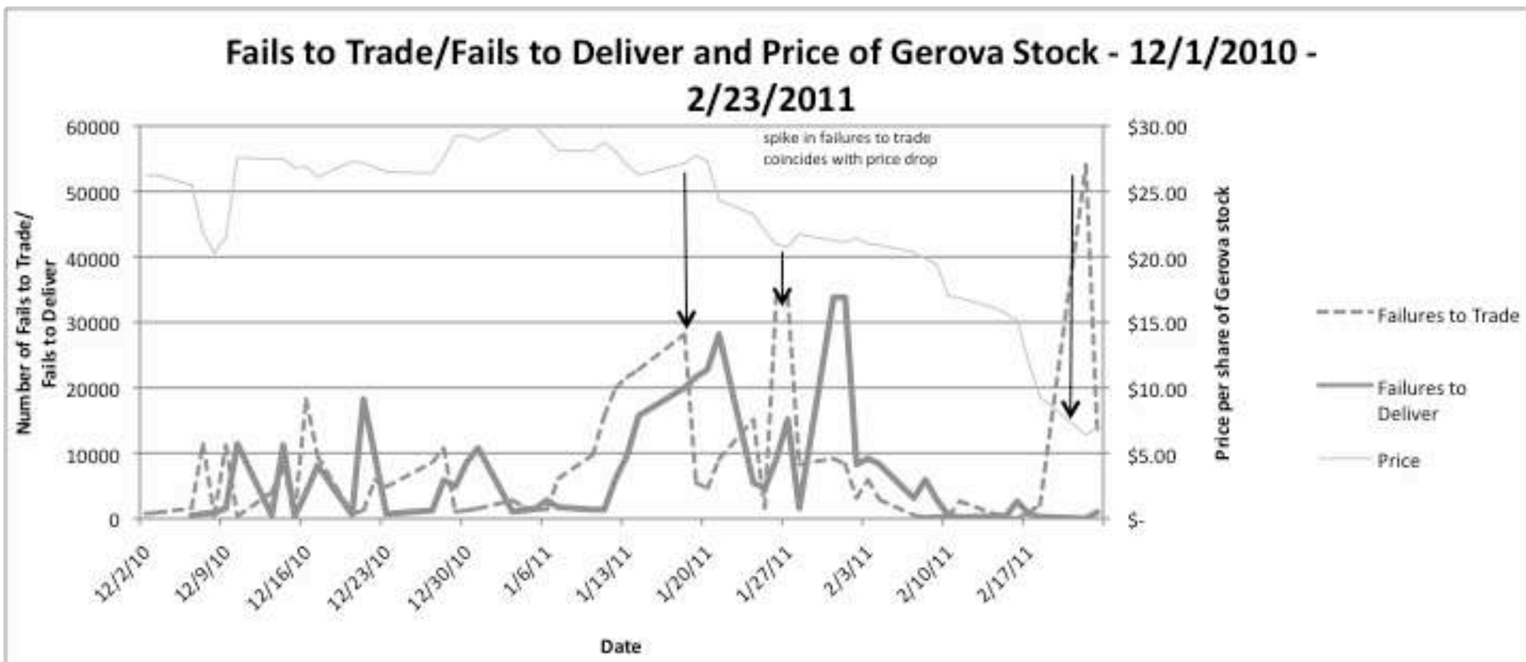
40. The explanation why Defendants' attack had such a profound effect on the Company's share price is several fold.

41. First, as discussed above, the shrewd use by Defendants and their co-conspirators of multiple, prominent financial blogs in their initial assaults on the Company's reputation, greatly multiplied the spread and impact of the false and defamatory information.

42. Second, following the initial round of assaults, Defendants and their co-conspirators kept the false and defamatory information in circulation by providing further information concerning the Company to Weinberg, information that he subsequently published

in manner that suggested wrongdoing and with continued cross-references (and links) back to his previous blog entries containing false and defamatory information concerning the Company.

43. Third, the huge short bets that Defendants and their co-conspirators had made on the Company's stock and the fact that many of these bets were "naked"—i.e., Defendants and their co-conspirators had not borrowed or otherwise gained rights to the shares that they were purportedly short-selling—added to the downward pressure on the Company's share price. Because the shorts were naked, when the short contracts came due, there were a series of "failures to trade" and "fails to deliver" that further shook confidence of the market in the Company's stock. The chart below shows the correlation between these failures to deliver and drops in the Company's share price.



44. Fourth, as Defendants and their co-conspirators well understood, the Company was in a particularly vulnerable position vis-à-vis attacks on its reputation; indeed, that is why they chose it as a target for their attack. The Company had only recently been converted from a SPAC to one that had acquired operating companies; thus, the Company and its management did not have a long-track record of operations that it could point to in refutation of the false and defamatory statements. Moreover, the unfamiliarity of the SPAC form, itself, to many investors

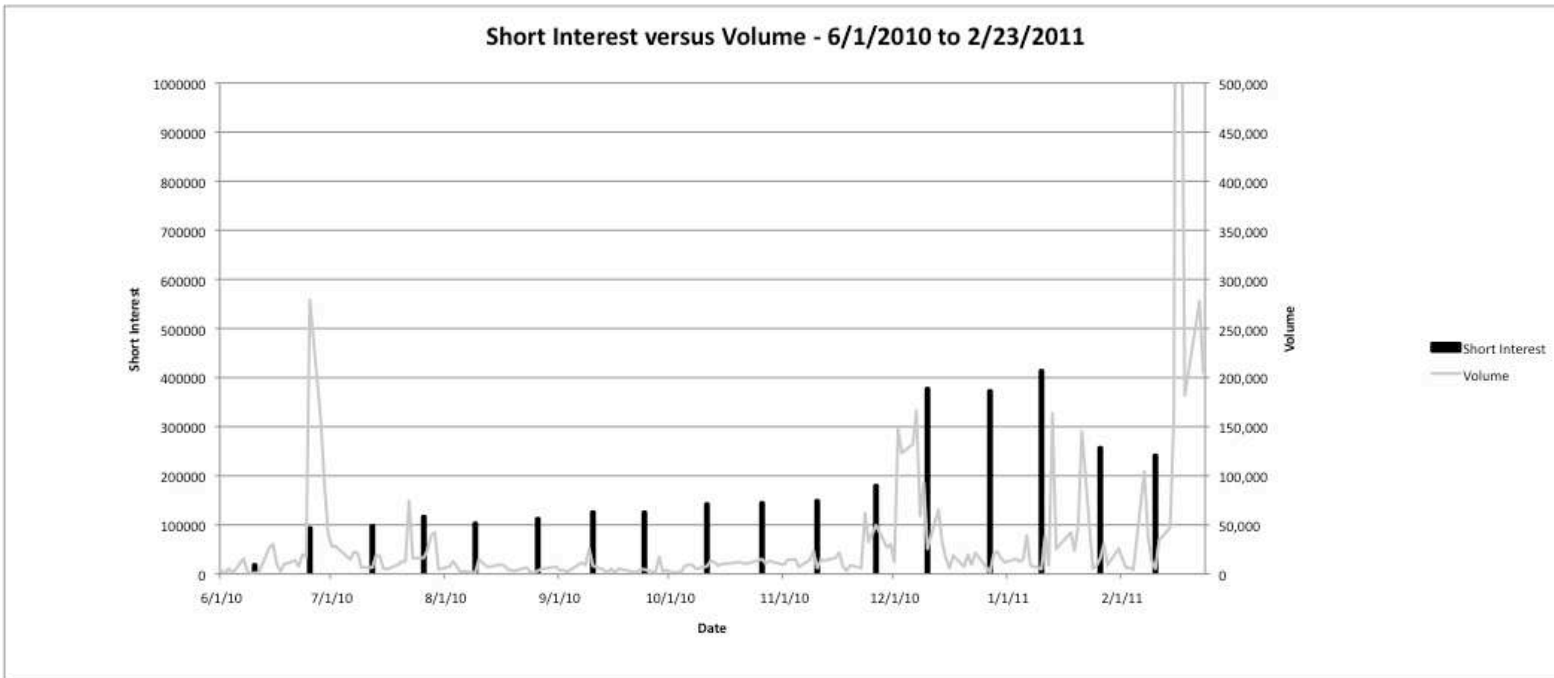
made the Company vulnerable to these attacks, allowing Defendants and their co-conspirators to insinuate that form of the Company itself—while perfectly legitimate—was somehow nefarious.

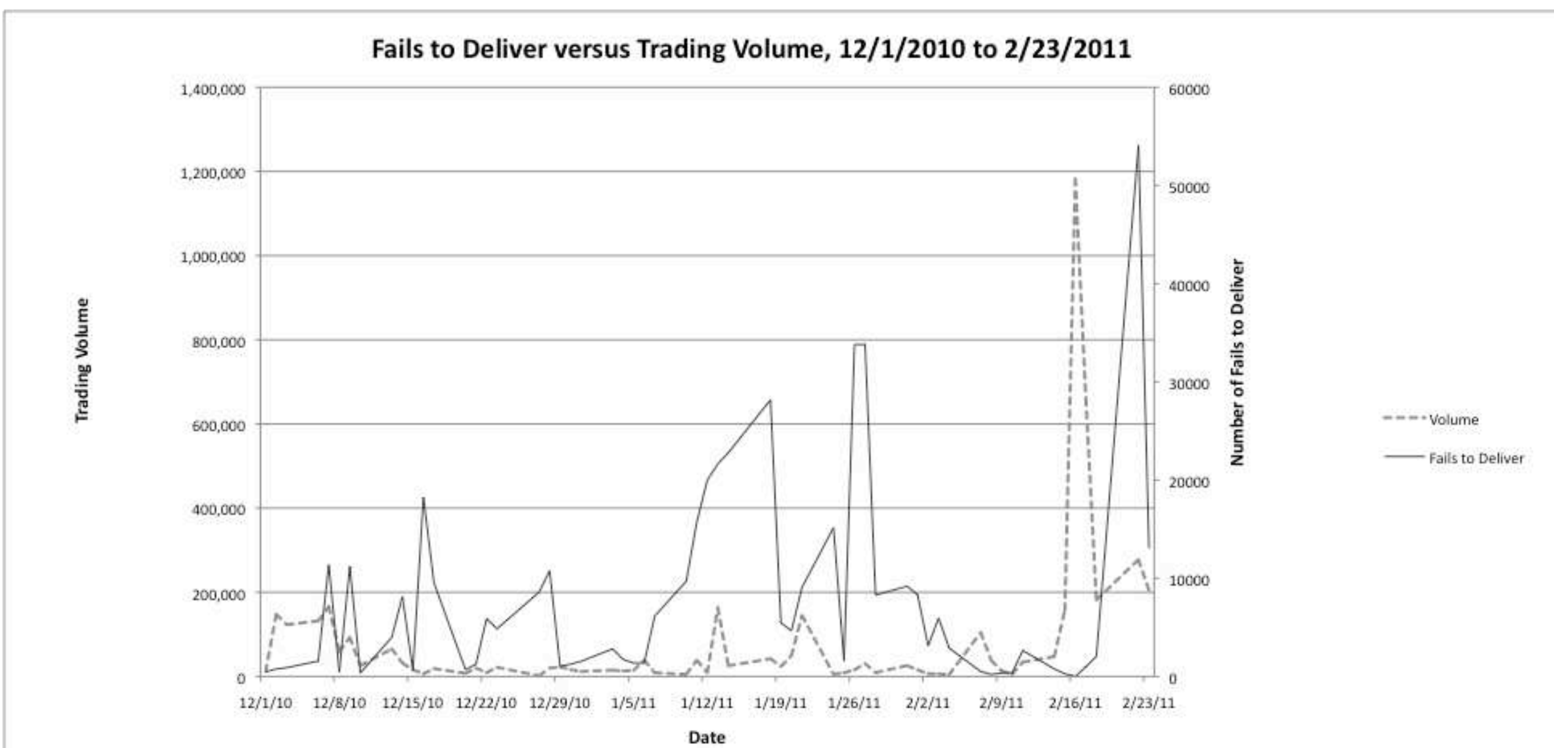
45. Fifth and relatedly, the Company was at the stage in several transactions in which the value of its share price was critical for the transactions' successful completion. The Ticonderoga, Seymour Pierce, and HM Ruby acquisitions were to be conducted principally using the Company's stock as currency. Thus, when the Company's share price dropped its ability to complete these deals evaporated, which in turn caused the market to lose further confidence, its stock price to slide further, and the value of Defendants' short sales to increase. Indeed, this was clearly among the principal goals of Defendants publishing the false and defamatory statements concerning the Company described herein: the Dalrymple GFC Report, in fact, described the stock which the Company sought to use to make these acquisitions as an "inflated currency," clearly intending to interfere with Gerova's ability to close these acquisitions.

46. Sixth, the false and defamatory statements served to destabilize the independent directors relationship with the Company and their confidence that the Company would be successful in its business plan, including the successful acquisition through merger of critical infrastructure represented by the Ticonderoga and Seymour Pierce mergers and the appointment of senior executives to the board of directors as disclosed. The circumstances lead directly to the resignation of several directors, and the resulting halt of trading by the NYSE pending the production of information about the resignations and about the Dalrymple statements. The trading halt was designated by the Staff of the NYSE as temporary, but served as a further catalyst in unwinding other share-based transactions, like the $112 million acquisition of life insurance policies from HM Ruby.

47. Finally, because a substantial portion of the Company's outstanding shares remained unregistered while certain audits were awaiting completion, the volume of public trades in the stock was very thin; thus, making the stock highly susceptible to negative pressure on it stock price.

48. The charts below shows the thinness of trading volume in the stock, as well as the correlation between spikes in volume and shorting activity. The spikes in volume in late December and early January correlate with large increases in shorting activity by Defendants and their co-conspirators. The spikes in volume in February correlate when these shorts attempted cover their positions and were not able to, i.e. failed to deliver.





49. Defendants and their co-conspirators knew of these vulnerabilities and callously and calculatingly acted to exploit them, launching their scheme at a time and in a manner that gave it the greatest chance at success.

50. And they did "succeed." As a result of the scheme by Defendants and their co-conspirators to manipulate the share price of the Company, Defendants earned millions in illegal profits, at the expense of Gerova, Noble and other honest investors whole lost millions.

51. As a result of the scheme by Defendants and their co-conspirators, the Company lost approximately $800 million in market capitalization in the course of less than three months, and the Company failed to transform itself into a collection of successful operating companies, the business purpose for which it was formed in 2007, the business purpose in expectation of which Noble had invested almost $6 million in the Company in 2008 and to which its reputation was attached, and the business purpose about which Defendants and their co-conspirators were aware and intentionally acted to frustrate.

52. Accordingly, Noble here sues Defendants: (First) for defamation, as the assignee of Gerova; (Second) for trade libel, as the assignee of Gerova; (Third) for tortious interference with prospective economic advantage, directly and as the assignee of Gerova; (Fourth) for unlawful and deceptive practices under New York General Business Law § 349, directly and as the assignee of Gerova; and (Fifth) for unjust enrichment, directly and as the assignee of Gerova.

II. THE PARTIES

A. Plaintiff

53. Plaintiff Noble Investments Limited, formerly known as "Noble Investment Fund Limited," a company formed under the laws of Gibraltar ("Noble"), actively invests and manages portfolio investments of other investment funds. Noble was formed to pool investments to invest worldwide in opportunities and investments that Noble management believes have the potential to produce above market returns to its investors. Noble made the initial *seed* investment of $5,725,000, in the Company in January 2008. In exchange, Noble received unregistered non-transferrable warrants from the Company, which it exercised on June

18, 2010. The resulting free trading shares it received, totaling 2,870,000 shares (as expressed in pre-split shares)[3] were worth in excess of $17 million prior to the initiation of Defendants' scheme alleged herein. The shares—all of which Noble holds to this day having not sold a single free trading share—are now essentially worthless. Noble additionally made an essential bridge loan to the Company of $500,000.

54. It was well known among members of the venture capital community, the special acquisition company investor community, investors in the Company, various acquisition targets of the Company, and others, that Noble was the seed investor in the Company and was instrumental in the Company's formation. Defendants, by falsely stating that the Company was formed and operated for the purpose of defrauding investors and otherwise authoring and publishing false and defamatory statements concerning Noble caused substantial damage to Noble's business reputation and caused it to lose business opportunities that it would otherwise have had access to.

55. Gerova has assigned Noble all claims against Defendants arising out of the injuries and losses that the Company suffered as a result of the conduct by Defendants and their co-conspirators alleged herein.

B. Defendants

1. Dalrymple Finance, LLC

56. Defendant Dalrymple Finance, LLC ("Dalrymple Finance") is a Florida limited liability company, formed in 2007 by Defendants Keith and Victoria Dalrymple. According to filings with the Florida Secretary of State, for the first two years of its existence, the principal place of business of Dalrymple Finance was a residential apartment in West Palm Beach, Florida, where Defendants Keith and Victoria Dalrymple resided. However, in 2008, Dalrymple Finance's mailing address was shifted to a home in suburban Chicago. Since 2009, filings with the Florida Secretary of State have listed various apparently residential apartments in suburban

[3] On November 19, 2010, the Company performed a reverse 5 to 1 split. Noble still held all of the shares it had received upon exercising its warrants on June 18, 2010; thus, the number of shares it held was converted from 2,870,000 to 574,000 through the reverse split. It continues to hold this number of post-split shares.

Boston as the Dalrymple Finance's principal place of business. The filings list the same address as the contact address for the Dalrymple Finance and for Keith and Victoria Dalrymple as the company's managers. The filings list Keith Dalrymple's high school classmate and lifelong friend, Jason Piccin, as the contact person at this address for Dalrymple Finance, as well as the contact for Keith and Victoria Dalrymple as the Company's managers.

57. According to a sworn declaration by Keith Dalrymple:

> The mailing address for Dalrymple Finance is 8 Mount Ida Street, Apartment 1, Newton, Massachusetts 025458. This is the residence of my long-time friend Jason Piccin. Jason Piccin agreed to allow Dalrymple Finance to use his apartment as its address because my wife Victoria and I reside in Bulgaria.

58. In his sworn declaration, Jason Piccin states:

> I forward mail that I receive for Dalrymple Finance to Keith Dalrymple at his mailing address in Bulgaria.

59. Until sometime after February 1, 2012, when the website was apparently taken down in reaction to pursuit by Noble of claims against Defendants arising from the allegations described herein, Dalrymple Finance maintained a website located dalrymplefinance.com, on which Dalrymple Finance described its business.

60. On the page titled "Our Clients," the website stated *inter alia*:

> Dalrymple Finance provides services to small to medium sized institutions, funds of hedge funds, family offices and super high net worth individuals in both the United States and Europe.

61. On the same page under the heading "*US Clients*," the website stated:

> Dalrymple Finance offers U.S. based clients senior level, cost effective hedge fund research services. Additionally, with a strong European presence, Dalrymple Finance eases the time burden and financial cost of European coverage.

62. On the same page under the heading "*European Clients*," the website stated:

> Extensive experience with U.S. funds combined with New York-based affiliates allows Dalrymple Finance to offer European clients deep expertise on and access to U.S.-based fund managers.

63. On the same page under the heading "*Eastern Europe*," the website stated:

> Dalrymple Finance offers clients based in Eastern Europe comprehensive alternative asset advisory services. For this group, we focus on designing portfolios of hedge funds with low volatility and steady return streams to preserve then grow capital.

64. According to the sworn declaration of Defendant Keith Dalrymple, Dalrymple Finance is "an independent hedge fund research practice providing research and advisory services to individuals and institutions."

65. In the same declaration, Keith Dalrymple describes himself as the "Managing Director of Dalrymple Finance" and states that he and Victoria Dalrymple founded Dalrymple Finance in 2007; his declaration and the sworn declaration of Victoria Dalrymple indicate this is the same year they claim to have moved to Bulgaria. The former website of Dalrymple Finance identified both Keith and Victoria Dalrymple as "Managing Directors" of Dalrymple Finance.

66. Though neither Keith or Victoria Dalrymple, individually, nor Dalrymple Finance, as a company, appears to have any U.S. license to do so, Keith Dalrymple and Victoria Dalrymple, in providing the above described services to Dalrymple Finance's United States and European clients, regularly purchase and sell shares of companies traded on New York based stock exchanges, including in connection with the scheme out of the claims made herein arise.

67. Keith Dalrymple in his sworn declarations states:

> In 2009, my wife Victoria and I purchased stock in Asia Special Situation Corporation ("ASSAC") . . . We also purchased ASSAC's stock for certain of Dalrymple Finance's clients.

68. Shares of ASSAC, the predecessor of Gerova, were trading on the American Stock Exchange ("AMEX") in 2009; thus, Keith and Victoria Dalrymple made purchases of ASSAC stock trading on a stock exchange located in lower Manhattan, for their own benefit and on behalf of Dalrymple Finance clients, as the principals and Managing Directors of Dalrymple Finance. These purchases were made in pursuit and accomplishment of the *short and distort* scheme out of which the instant action arises.

69. Keith Dalrymple further states in his sworn declaration that beginning in May 2010, he began short selling Gerova stock for his own benefit, the benefit of his wife Defendants Victoria Dalrymple, and the benefit of clients of Dalrymple Finance. Mr. Dalrymple refers to multiple instances in which he "entered into short sales of GFC stock, either for the account of my wife and myself or for the account of a client of Dalrymple Finance." Until September 8, 2010, Gerova shares continued to be traded on AMEX; beginning on September 8, 2010, Gerova shares were traded on the New York Stock Exchange, located in Manhattan. The instant action arises directly out of this short selling of Gerova stock that Keith Dalrymple admits in a sworn declaration to have done, as a Managing Director of Dalrymple Finance, for his own benefit, his wife's benefit, and the benefit of unnamed clients of Dalrymple Finance.

70. The Investment Advisers Act of 1940 ("Advisers Act") imposes registration, regulatory and disclosure requirements on those acting as investment advisers in the United States. Even if an investment adviser can rely on an exemption to avoid registration under the Advisers Act, the investment adviser still remains subject to other securities laws, including the antifraud provisions in Section 206 of the Advisers Act. Although Mr. Dalrymple declares under oath that he engaged in investments for the benefit of at least one "client" of Dalrymple Finance, a search of the SEC's Investment Adviser Public Disclosure system – a service that provides information about current and former Investment Adviser Representatives, Investment Adviser firms registered with the SEC and/or state securities regulators, and Exempt Reporting Advisers that file reports with the SEC and/or state securities regulators – yielded no results for the Dalrymples or Dalrymple Finance, a US company, having ever been registered as an investment adviser, or an investment adviser representative with the SEC or any state securities regulators.

71. Keith Dalrymple further states in the same declaration that:

> Dalrymple Finance periodically publishes opinions on publically traded companies that, based on my analysis, are overvalued by the market.

72. Among these "opinions" based on Defendant Keith Dalrymple's "analysis" that Dalrymple Finance has "published" is the Dalrymple GFC Report, the publication of which gives rise to the claims made in the instant action.

73. In order to publish the Dalrymple GFC Report, Defendants Keith and Victoria Dalrymple, Dalrymple Finance and their co-conspirators used various individuals and entities located in New York.

74. As discussed herein, critical to the perpetuation of the scheme out of which Noble's claims arise was publication of the Dalrymple GFC Report on the website zerohedge.com. As detailed herein, zerohedge.com has its server located abroad and the URL is registered to company that shares an address in Sofia Bulgaria with the father of the website's founder, chief contributor, owner, and author of the of the posting through which the Dalrymple GFC Report was principally distributed, Daniel Ivandjiiski. However, Mr. Ivandjiiski operates the website from Manhattan, where he has lived since at least 2008.

75. According to Keith Dalrymple's sworn declaration, Defendants Keith and Victoria Dalrymple, Dalrymple Finance and their co-conspirators enlisted the participation of Mr. Ivandjiiski in the scheme alleged herein and arranged for the publication of the Dalrymple GFC Report on zerohedge.com through a series of email communications between Keith Dalrymple and Daniel Ivandjiiski, who was then residing in New York.

76. As also discussed herein, Defendants Keith and Victoria Dalrymple, Dalrymple Finance and their co-conspirators further used the then paid blogger for Forbes.com, Neil Weinberg, as a means to distribute false and defamatory information concerning Gerova, including the information contained in the Dalrymple GFC Report, through the website Forbes.com. The office of Forbes.com is located at 90 5th Ave. in Manhattan, and Neil Weinberg lives in the Greater New York Area.

77. More generally, Defendant Dalrymple Finance, through its Managing Director, Defendant Keith Dalrymple, promotes itself and earns revenue directly through the regular publication of "opinions" authored by Keith Dalrymple published on the website

seekingalpha.com. Seeking Alpha Ltd., which owns and manages the website, is based in Manhattan.

78. Forbes.com, zerohedge.com, and seekingalpha.com all are read by, and are directed at, readers of financial news and investors in U.S. listed investments, which include many individuals in New York.

79. Prior to being taken down, Defendant Dalrymple Finance's website did not list an office location, but listed on its "Contact Us" page a Newton, Massachusetts phone number. The same is also included in Defendant Keith Dalrymple's Dalrymple Finance signature block on the emails sent by Keith Dalrymple to Daniel Ivandjiiski referenced above. When called in December 2011, the person answering the identified himself as "Keith Dalrymple."

80. In addition, the website's Contact Us page included a form through which persons could send Dalrymple Finance email. Elsewhere the website instructed potential clients to request "a sample of [the company's] research, [by] email[ing] us via the form on the 'contact us' page." Among the potential clients to which this solicitation was made were "U.S. based" individuals and entities, including New York residents.

81. Furthermore, the website provided "member logins" that Dalrymple Finance's clients, including its "U.S. based clients" who were New York residents, could use to perform certain activities on the site, including viewing research publications produced by Dalrymple Finance.

82. The server for dalrymplefinance.com is located in the city of Sofia in Defendant Victoria Dalrymple's native Bulgaria, in which Keith and Victoria Dalrymple now claim to have resided since 2007, where their co-conspirator Daniel Ivandjiiski is a national, and which has been identified by the U.S. government as one of the most dangerous sources of international cyber-crime.

83. As discussed herein, Defendants Keith and Victoria Dalrymple also use Dalrymple Finance as a brand name under which to distribute information to investors and other persons in New York and elsewhere through the investment information website seekingalpha.com, on which Dalrymple Finance is a registered contributor. The articles, blog

posts and comments that Defendants post on seekingalpha.com are then frequently republished on bullfax.com, which like seekingalpha.com is directed to persons including New York investors and other New York residents.

84. As discussed above, Dalrymple Finance's website only provides research reports to clients that have been provided a log-in, and a search of the web did not reveal any other reports by Dalrymple Finance publicly available, except the Dalrymple GFC Report. However, Keith and Victoria Dalrymple, together with and through Dalrymple Finance, provided the Dalrymple GFC Report to the Bulgarian blogger Ivandjiiski for distribution through zerohedge.com, and to Weinberg of Forbes.com for distribution through zerohedge.com, the same day of the report's publication. Both Forbes.com and zerohedge.com are directed at, and have readers in New York, including investors there. Keith and Victoria Dalrymple, together with and through Dalrymple Finance, intentionally and purposefully utilized these sites to gain the widest distribution possible for the false and defamatory information contained in the Dalrymple GFC Report and thus cause as much damage as possible to the reputation of the Company and its stock price, and the reputation of Noble, its seed investor."

85. Defendants Victoria Dalrymple and Keith Dalrymple are the co-founders, co-operators, co-owners, co-principals, co-managers, co-managing directors, and co-members of Dalrymple Finance. Mr. Dalrymple is the chief spokesman for Dalrymple Finance and is listed as the author of the Dalrymple GFC Report.

2. <u>Keith Dalrymple</u>

86. Defendant Keith Dalrymple ("Mr. Dalrymple") is forty-six year old individual. Mr. Dalrymple presently claims in a sworn declaration to have lived in Bulgaria since 2007, the same year he claims to have founded Defendant Dalrymple Finance with his wife, Defendant Victoria Dalrymple.

87. However, when the undersigned recently requested the address of Mr. and Mrs. Dalrymple in Bulgaria from their attorney, their attorney responded that he was "not authorized" to provide this information. Furthermore, a public records search reveals residences for Mr. Dalrymple during the period from 2007 through present in: Newton, Massachusetts;

Surfside, Florida; Miramar, Florida; Watertown, Massachusetts; Northbrook, Illinois; West Palm Beach, Florida; and Cambridge, Massachusetts. The same search shows him presently registered to vote in Florida, using an address in Surfside, Florida, as well as in Massachusetts, using the address of a property in Boston, Massachusetts that he owns with his wife Defendant Victoria Dalrymple. The records further reveal that Mr. Dalrymple renewed his Florida driver's license on May 6, 2011, using an address in Miramar, Florida, a Miami suburb. On March 16, 2012, Mr. Dalrymple's LinkedIn profile listed his location residence as the "Miami/Fort Lauderdale Area" and stated the following concerning his present location "Keith is in Miami, FL."

88. The 2008 annual report for Dalrymple Finance signed by Mr. Dalrymple, as its co-manager, on August 4, 2008, lists addresses for both Keith and Victoria Dalrymple in the same apartment in West Palm Beach, Florida. Above his signature on the report is a legend that states *inter alia* "I further certify that the information indicated on the this report is true and accurate and that my signature shall have the same legal effect as if made under oath."

89. As mentioned herein, when the undersigned called, in December 2011, the Newton, Massachusetts number then listed on Dalrymple Finance's website – the same number included in Mr. Dalrymple's emails to Daniel Ivandjiiski and written in by Mr. Dalrymple next to his signature on Dalrymple Finance's 2008 annual report – the person answering identified himself as "Keith Dalrymple."

90. Irrespective of the truth of Mr. Dalrymple's most recent sworn claim of residence, the information in public record, or past sworn claims of residence, as discussions elsewhere herein makes clear, Mr. Dalrymple has systematically and continuously conducted business in New York on behalf of himself and, Dalrymple Finance, the company that the owns and controls with his wife, Dalrymple Finance, including several instances of business transacted in New York out of which the claims herein arise.

91. In fact, Mr. Dalrymple's systemic and continuous conduct of business in New York by, through, and on behalf of Dalrymple Finance described herein, is a continuation of

Mr. Dalrymple's systematic and continuous engagement of business in New York's financial industry for almost twenty years.

92. Mr. Dalrymple's profile under the heading "Principals" on the "Principals" page of the website of Dalrymple Finance before it was recently taken down stated:

> **Keith Dalrymple – Managing Director**
>
> Spanning more than 12 years, Mr. Dalrymple's career in the investment industry includes research, consulting, private wealth management and operational management positions. . . . Prior to founding Dalrymple Finance, he was Director of Equity Research for New York Global Securities in New York and Vice President of Equity Research for Halpern Capital in Miami, both boutique investment banks focused on small and mid capitalization companies. Mr. Dalrymple held various private wealth management positions from 1995 to 2002, providing portfolio management services to HNWI and small institutions under the Oppenheimer & Co, Tucker Anthony and RBC Dain Rauscher platforms in Boston, MA. Mr. Dalrymple was registered with the NASD, holding Series 7, 63, 86 and 87 licences [SIC]; additionally, he passed the CFA Level II exam. He received his MBA from Babson College and his BA from the University of Massachusetts. He has been interviewed on CNBC and quoted in Business Week, CNN Money, Business 2.0, CNET and others.

93. A review of Mr. Dalrymple's FINRA BrokerCheck report confirms Mr. Dalrymple's admitted – indeed, promoted – systematic and continuous conduct of business in New York's financial industry. Mr. Dalrymple's first registration as a broker was with CIBC Oppenheimer Corp. in its New York Branch, from June 1995 through July of 1998. According to his report, his hiring by CIBC Oppenheimer Corp. coincided with his passing of the Series 7 Securities Representative Examination. The report then shows him continuously registered with a FINRA as a broker with different financial institutions until August 2006 when he left the employment of New York Global Securities, Inc. ("NYGS"). Mr. Dalrymple no longer holds any securities licenses and did not at the time of his authorship of the Dalrymple GFC Report or when he purchased or short sold shares of the Company's stock on behalf of clients of Dalrymple Finance.

94. According to his sworn declaration, Mr. Dalrymple was a "research analyst [at] New York Global from November 2005 through August 2006," though his former profile on

Dalrymple Finance's website claimed for him the more lofty title of "Director of Equity Research."

95. NYSG was a small NASD regulated broker dealer, which appears to have operated from 1999 through 2007, from a single office on Wall St., where Mr. Dalrymple worked. NYSG, until folding in 2007, was more than 75% owned by New York Global Group, Inc., ("NYGG"), which in turned was owned and controlled by Benjamin Wey (aka Benjamin Wei). Though otherwise little known, NYGS and NYGG and Mr. Wey gained a level of notoriety in connection with Bodisen Biotech, Inc. ("Bodisen"), a Chinese reverse merger company that suffered large stock losses in 2006. While NYGG was acting as the underwriter for a $15 million Bodisen stock offering, NYSG was issuing glowingly positive, supposedly independent, research reports concerning the company in which no mention of the connection between NYSG, NYGG, or the commissions that NYGG stood to earn from the sale of Bodisen securities were made. According to filings in the shareholder litigation arising out of the Bodisen affair, Bodisen listed among its "2005 Highlights" that it "research coverage from New York Global Securities."

96. In <u>November of 2006</u>, Bodisen received a deficiency letter from AMEX for making insufficient or inaccurate disclosures in its public filings about its relationship with NYGG.

97. In 2007, NYSG was found in violation of NASD (the predecessor of FINRA) rules "governing the content and disclosures required for equity research reports, and rules governing content standards for communications with the public." Specifically, the firm, "prepared and issued four research reports . . . to members of the public," regarding which it was found that the firm *inter alia* "***failed to disclose its actual, material conflicts of interest*** as required by NASD Rule 2711(H)(1)(C) and the [equity research] reports [issued by the firm] also violated other sections of NASD's research report rules" (emphasis added). As a result of the these violations, on <u>April 20, 2007</u>, FINRA fined New York Global $45,000 and banned the firm from publishing any further research for a period of six months. The firm withdrew its registration as broker dealer the same day and appears to have closed its doors soon thereafter.

98. According to their sworn declarations, Mr. and Mrs. Dalrymple moved to Bulgaria the same year.

99. On January 26, 2012, the Federal Bureau of Investigations raided the New York office of NYGG and the apartment of Mr. Wey as part of an "ongoing investigation."

3. Victoria Dalrymple

100. Defendant Victoria Dalrymple ("Mrs. Dalrymple") is a thirty-six year old individual. With her husband, Defendant Keith Dalrymple, Mrs. Dalrymple is the co-founder, co-operator, co-owner, co-principal, co-manager, co-managing director, and co-member of Dalrymple Finance.

101. Mrs. Dalrymple is a native of Bulgaria and attended graduate school in there, but also lived, studied and worked for several years in the United States before purportedly moving back to Bulgaria with Keith Dalrymple in 2007.

102. Under the heading "Principals" on the "Principals" page of Dalrymple Finance's website before it was recently taken down, the following profile appeared:

> **Victoria Dalrymple - Managing Director**
>
> Ms. Dalrymple has over 7 years of experience in hedge fund, venture capital analysis and FoF Portfolio Management. She currently advises institutional and HNW investors in the United States and Europe. Prior to launching the practice, she worked for a family office in Palm Beach, Florida, managing, as part of a three person investment team, a hedge fund and private investments portfolio of over $550M. Ms. Dalrymple was also an analyst for a $350M long/short quantitative Boston hedge fund responsible for both quantitative and qualitative investment analysis. A native of Bulgaria, she started her career in auditing and financial analysis prior to becoming an analyst for the first venture capital fund in the country. Ms. Dalrymple holds an MBA degree, summa cum laude, in finance and entrepreneurship from Babson College and graduate degrees in Strategic Management and International Relations from Bulgarian universities. She is a recipient of numerous academic achievement awards among which Who is Who in American Colleges and Universities, Class Valedictorian'01 Babson College and the Ernst & Young Graduate Accounting and Audit Award.

103. It does not appear that Mrs. Dalrymple has ever worked for a FINRA registered broker dealer, and it is not clear what if any licenses she holds. However, as noted herein, Mr.

Dalrymple indicated in his sworn declaration that Mrs. Dalrymple made purchases of ASSAC shares on behalf of Dalrymple Finance clients in 2009, while those shares were trading on AMEX, and that Mr. Dalrymple short sold shares of Gerova in 2010, while shares of Gerova were trading on Amex and/or NYSE, for the benefit of Mrs. Dalrymple. The claims made herein arise out of these transactions.

104. Furthermore, Mrs. Dalrymple in sworn declaration acknowledges that she "was aware in late 2010 and 2011 that my husband Keith was drafting" the GFC Dalrymple Report, which was published in the manner described herein on behalf of Dalrymple Finance, which Mrs. Dalrymple owns and controls with Mr. Dalrymple. The claims made herein arise out of publication of this report.

105. While Mrs. Dalrymple is a native of Bulgaria and now claims to reside there, she is a U.S. citizen, as evidenced by voter registration records. Mrs. Dalrymple is presently registered to vote in Florida, using one of the addresses currently used by Mr. Dalrymple for his voter registration referenced above. Also, like her husband, a search of public records reveals that during the period that since 2007, Mrs. Dalrymple has resided at series of addresses in Massachusetts, Illinois and Florida. On April 7, 2011, Mrs. Dalrymple renewed her Florida driver's license using the same address in Miramar, Florida, used by Mr. Dalrymple to renew his Florida driver's license in May of that year. Mrs. Dalrymple's LinkedIn Profile on March 17, 2012 listed her residence as the West Palm Beach, Florida Area.

106. Mrs. Dalrymple is consistently listed as the only other member and co-manager of Dalrymple Finance with Mr. Dalrymple and is the co-owner a condo in Boston, Massachusetts with him.

107. Defendants Keith Dalrymple, Victoria Dalrymple, and Dalrymple Finance are referred to collectively herein as "Dalrymple."

4. Does 1-100

108. Plaintiff is unaware of the true names and capacities of the remaining Defendants, sued herein as Does 1-100, and therefore sues Defendants by such fictitious names. These Defendants directly participated in and/or assisted the scheme alleged herein, including

but not limited to participating in concerted and coordinated short selling of the Company's stock in advance of distribution and publication of false and defamatory information concerning the Company and in connection with the making, publishing, and distributing of false and defamatory statements concerning the Company. Plaintiff will amend this complaint to allege their true names and capacities when ascertained. Each of these fictitiously named Defendants is responsible in some manner for the occurrences herein alleged, and Plaintiff's injuries as herein alleged were proximately caused by such Defendants. These fictitiously named Defendants formed and continue to form an integral part of the short and distort stock manipulation scheme described herein.

109. Among Defendants Does 1-100 are one or more "clients" of Dalrymple Finance on whose behalf, Defendant Keith Dalrymple admits in a sworn declaration, Defendant Dalrymple Finance, through Defendant Keith Dalrymple, entered into short sales of Gerova shares in connection with and as part of the short and distort scheme alleged herein.

110. The Dalrymples and Does 1-100 are collectively referred to herein as "Defendants."

C. Named Co-Conspirators

1. Scott Hintz ("Hintz")

111. Scott Hintz ("Hintz") is a forty-two year old individual residing in Fulton County, Georgia, where he is serving a three-year prison term. Hintz previously plead guilty to federal bank fraud charges and was serving the supervised release portion of his sentence in 2011 when he was re-arrested for violations of the terms his supervised release arising out of crimes he committed against the Gerova's affiliate, Net Five, while he was employed there. These crimes led to his re-arrest last year and sentencing, on February 9, 2012, to three years in prison.

112. On September 27, 2011 Net Five, Gerova's affiliate fired Hintz after it was discovered Hintz had been embezzling money, forging notarized documents and committing other wrongful and illegal acts, including attaching fraudulent mechanics liens against properties owned by Net Five. (Net Five and the Company later learned that a former employer

of Hintz filed a police report in January 2010, accusing Hintz of embezzling money from the employer's heating and air conditioning contracting company.)

113. Upon his firing from Net Five, Hintz attempted to extort $18 million from Net Five and the Company, threatening to spread false and defamatory information about the Company, if he was not paid off. When Net Five and the Company refused to pay him anything, Hintz joined forces with Defendants and their co-conspirators to attack the Company's reputation and stock price as alleged herein. In a sworn declaration Defendant Keith Dalrymple indicates that he has been in contact with Hintz.

114. A review of law enforcement and court filings, opinions, orders and reports concerning Hintz demonstrate that Hintz is a pathological liar and/or suffers from delusional disorder. The various federal trial and appellate courts before which he has appeared numerous times over the last several years—frequently making outlandish allegations concerning purported conspiracies involving his attorneys and judges hearing his cases—have accordingly labeled him an abusive litigant whose testimony cannot be trusted. Indeed, Judge Clarence Cooper of the Northern District of Georgia in a recent hearing on one of the Hintz's motions to recuse his court-appointed counsel stated bluntly that he gave "little or no weight or credit to the testimony of Scott Hintz."

115. In January 5, 2012, Magistrate Judge Christopher Hagy of the United States District Court for the Northern District of Georgia, in a Report and Recommendation, recommended denying Mr. Hintz's motion to vacate his previous guilty plea to federal bank fraud charges, and rejected Mr. Hintz's "main contention . . . that there was a vast conspiracy" against him involving his trial counsel, appellate counsel, two sitting U.S. federal judges, the wife of one such judge, and Mr. Hintz's real estate attorney. The court found that Mr. Hintz had "not provided any proof that such a conspiracy existed outside his own imagination." Elsewhere, the court referred to the "incredible tale of a vast conspiracy between [these persons] to protect themselves and silence [Mr. Hintz] from revealing their criminal activity" woven by Mr. Hintz. This tale included allegations by Mr. Hintz that a sitting U.S. federal judge had "threatened to kill [Mr. Hintz] and his children." The Court found that Mr. Hintz's testimony in

support of this and other allegations "was simply not credible," found that in at least one instance Mr. Hintz had "blatantly lied" in support of his allegations, and referred to certain testimony by him as an "outright lie."

116. The conspiratorial tales that Hintz authored and published concerning Gerova as part of Defendants' scheme were equally false and incredible.

117. The most critical role in the scheme played by Hintz was to provide false and defamatory information concerning the Company, as an "anonymous tipster," to Weinberg for publication on his Forbes.com blog. Weinberg's publication of this information in his January 5, 2011 blog entry provided a critical veneer of credibility to the false and defamatory information contained in the Dalrymple GFC Report published and distributed by Defendants and their co-conspirators five days later; and it created fertile ground for the creation of negative feelings in the market towards the Company that Defendants and their co-conspirators intended to spur through publication of the false and defamatory information contained in the Dalrymple GFC Report. Following the publication of Dalrymple GFC Report, Hintz continued to feed information to Weinberg, with the purpose and effect of inducing Weinberg to republish false and defamatory information concerning the Company, and thereby increase the circulation, reach and effect of the information on the Gerova's reputation and stock price.

118. Following the scheme's successful destruction of the Company's stock price, and with it the value of Noble's investment and Noble's reputation, as a sponsor of venture capital enterprises, and Gerova's previously disclosed acquisitions of Seymour Pierce, Ticonderoga, and HM Ruby, Hintz bragged to associates in the Atlanta area concerning the role he had played in Defendants' scheme.

a. Hintz's Criminal Conviction In 2003 And 2012 Sentencing To Another 3 Years In Jail

119. On March 12, 2003, Hintz entered a plea of guilty to one count of a violation of 18 U.S.C. §1344, bank fraud, arising out of four-year conspiracy between Hintz and others in which fraudulent loan applications were submitted to federally insured financial institutions for the purchase of real estate. Hintz was sentenced to fifty-seven (57) months in prison, a special

assessment of one hundred dollars ($100.00), $2,573,686.63 in restitution, and five years' supervised release. The restitution amounts remain unpaid, and, as mentioned, a federal judge, in February 2012, revoked Hintz's supervised release and sent him back to jail for another three years based on the crimes he committed against the Company's affiliate prior to his attempt to extort money from it.

120. However, as an Assistant United States Attorney for the Northern District of Georgia put it in a recent filing in the Northern District of Georgia: "After some time in jail, however, Petitioner's noble urges waned; and he decided to take back his guilty plea. Petitioner then concocted a story about threats from lawyers and collusion with judges."

121. Indeed, during his attempt to escape the consequences of admitted bank fraud, Hintz has made a range of allegations against sitting federal judges. Among the allegations, are that such judges have ties to organized crime and participated in witness tampering, money laundering, including perpetrating such alleged crimes against Hintz, and have even tried to kill Hintz's children.

122. Related filings by Hintz in this regard were so numerous and their contents so frivolous that a trial court took the extraordinary step of barring Hintz from filing any additional motions without leave of the court. Upon an appeal, the Eleventh Circuit affirmed the propriety of the order and the lower court's designation of Hintz as an "abusive litigant."

123. In course of these prior proceedings, several lawyers appointed to Hintz resigned citing reasons including continued requests by Hintz that his lawyer pursue strategies that the attorney did not believe he could ethically pursue and "the inability to establish a trusting relationship" with Hintz. In the former case, Hintz's lawyer stated that Hintz made threats to contact the Bar if the lawyer did not pursue what the lawyer believed to be Hintz'sunethical defense strategies.

124. In an apparent effort to avoid the roadblocks that his attorneys placed in front of such strategies, Hintz has made claims in the course of his many legal actions to have legal training. Specifically, on June 13, 2011, during a hearing in front of Judge Clarence Cooper of the US District Court for the Northern District of Georgia, Hintz claimed to have a degree from

West Coast School of Law, formerly known as the California Correspondence Law School, an unaccredited correspondence vocational provider.

125. In addition to his bank fraud conviction and recent reincarnation, Hintz has had several other brushes with the law. As discussed above, Hintz's former employer at a heating and air conditioning contractor filed a police report, in January 2010, against Hintz accusing him of multiple crimes against the company including embezzlement. A public records search reveals twenty-two recorded tax lien and unlawful retainers filed against him.

b. Hintz's Attempted Shakedown Of Net Five And The Company And His Subsequent Re-Arrest For Crimes Against Net Five

126. On or about June 1, 2010, Hintz was hired by Net Five to oversee the refurbishing and maintenance of single-family houses in Columbus, Ohio that it owned. On September 27, 2010, Net Five terminated Hintz's employment for cause, after discovering evidence that Hintz had been committing various crimes against Net Five, while employed there, including placing fraudulent mechanics liens in his favor against houses that Net Five owned.

127. Consistent with his conduct before the courts, in response to his firing Hintz fabricated an elaborate story of criminal conduct at Net Five and the Company that he threatened would be leaked to the press if he was not paid $18 million.

128. When the Company and Net Five rebuffed his attempted extortion, Hintz followed through with his threats, combining with Defendants and their co-conspirators to take down the Company through a campaign of misinformation and falsehoods.

129. Evidence of Hintz's participation in the scheme includes, in addition to Hintz's own bragging admissions of participation, the strong parallels between statements attributed to the "anonymous tipster" in Weinberg's Forbes.com blog entries and those made by Hintz in the verbal demands he made against Net Five and the Company in exchange for his silence as well as in a civil RICO suit he filed against Net Five, the Company and others on January 26, 2011. While a motion to dismiss the complaint was pending, Hintz, through counsel, voluntarily dismissed the action.

130. On January 6, 2011, Net Five contacted Hintzs' probation officer, notifying the officer that Net Five had reason to believe that Hintz had engaged in criminal behavior during his tenure as an employee at Net Five.

131. Hintz's federal probation officer filed a petition for a warrant to revoke Hintz's supervised release on March 16, 2011. The warrant was signed by the District Court.

132. The allegations in the petition were that from June 2010 through September 2010, while employed at Net Five, Hintz defrauded his employer and forged notarized documents.

133. Hintz was arrested and released on bond on March 23, 2011. The U.S. Probation Office, and the presiding federal judge subsequently found probable cause that during his 90-day employment, Hintz had defrauded his employer, Net Five and ordered Hintz be subject to 24-hour home confinement pending probation revocation proceedings in connection with his alleged violation of the terms of his probation that resulted from the bank fraud conviction.

134. Following his re-arrest, Hintz filed five separate police reports with the police departments of different towns in the Atlanta metropolitan area—alternatively calling for police officers to come to his home or going into the station himself—in which he made outlandish allegations that persons connected with the Company and Net Five and others were involved in a criminal conspiracy and intended to cause him physical harm. In his sworn declarations he also represented to law enforcement that he was currently working with the FBI and the US Attorney's office against Gerova and Net Five, which according to the federal probation officer assigned to Hintz was a false statement. According to the investigating officer in one such report: "Mr. Hintz's allegations appear suspicious and I was unable to confirm anything." None of the agencies have taken any action based on these reports.

135. As stated above, Hintz was recently sent back to jail for another three years as a result of the crimes he committed at the Company's affiliate before attempting to shake it down.

2. <u>Daniel Ivandjiiski</u>

136. Daniel Ivandjiiski ("Ivandjiiski") is thirty-three year old individual residing in New York, New York.

137. Ivandjiiski is a native of Bulgaria, and graduated from the American College in Sofia Bulgaria in 1997. After graduating, Ivandjiiski moved to the United States and from November 2001 through January 2007 worked with three different FINRA registered broker dealers. His brief career in the financial services industry ended when he was terminated from Miller Buckfire & Co. for insider trading. Specifically, in March of 2006, Ivandjiiski obtained confidential documents from his former employer, Imperial Capital, LLC, concerning an impending deal between the holding company of Hawaiian Airlines and its creditors. Based on this nonpublic information, he purchased shares in the company for his own benefit, which he later sold at a profit. After an investigation, in September 2008, FINRA found that Ivandjiiski's conduct constituted illegal insider trading in violation § 10(B) of the Securities and Exchange Act of 1934, SEC Rule 10B-5, and NASD Rules 2110 and 2120, and permanently barred Ivandjiiski from working in the securities industry. Ivandjiiski did not challenge his disbarment.

138. After his disbarment, Ivandjiiski founded the website, zerohedge.com, on which he posts under the pseudonym, Tyler Durden. Ivandjiiski is also a registered contributor on the investment information website seekingalpha.com, on which Dalrymple Finance is also a registered contributor. Ivandjiiski does not appear to have any other kind of regular employment or legitimate source of income.

139. A search of the Whois database reveals that zerohedge.com is registered to ABC Media, Ltd. at P.O. Box 814 Sofia, Bulgaria, and lists technical and administrative contacts for the site at the same address.

140. The same address, P.O. Box 814 Sofia, Bulgaria, is also listed as the correspondence address for Ivandjiiski's father, Krassimir Ivandjiiski**,** on the website, http://www.strogosekretno.com/. The site makes available information concerning the elder Ivandjiiski's Bulgarian-language tabloid, Bulgaria Confidential, as well as his *consulting* business Krassimir Ivandjiiski & Partners.

141. According to the site, the Krassimir Ivandjiiski & Partners "are the only official entities, offering economic, political, journalistic, and social consultancy for Bulgaria and the

[sic] entire Eastern-European region." Among the services offered are acting as foreign clients' "official contacts for any and every business venture" and "assisting [them] with the by-pass of local bureaucratic red-tape." Krassimir Ivandjiiski & Partners also claims to be "the people you should contact for help with trade to and from the region, advice in coordinating business plan [sic] activites, marketing, quick and effective realization of your business [sic] planes, distribution oriented communication with local and foreign privatization candidates." The elder Ivandjiiski's profile page on the site states that during the Soviet era "was a special envoy during the wars in Afghanistan, Angola, Mozambique, Somalia, Ethiopia, Eritrea, Uganda, Sudan, Namibia, South Yemen," during which period he was also a "military journalist," employed by the Bulgarian Ministry of Foreign Trade and the head of various foreign offices of the Bulgarian government.

142. Zerohedge.com and the younger Ivandjiiski have been described as residing in the "dark and cowardly corners of the blogosphere," from whence they publish almost exclusively negative information about publically traded companies, always pseudonymously authored.

143. The site and Ivandjiiski, however, gained significant attention in the spring of 2009 when it broke a story, authored by Ivandjiiski, about Goldman Sachs use of flash trading to reap illegal profits. Since release of that story, the readership of zerohedge.com, as well as its stature, have increased substantially, and it now ranks among the most visited investor blogs.

144. The stature and reach of zerohedge.com made it a perfect vehicle for distribution by Defendants and their co-conspirators of the Dalrymple GFC Report. As noted above, while no other report by Dalrymple appears to have been publically available, on the morning of the Dalrymple GFC Report's publication, Defendants or their co-conspirators provided the report to Dalrymple's fellow seekingalpha.com contributor and native Bulgarian Ivandjiiski, who per previous agreement with Defendants, dutifully published the report the same morning, in its entirety. Ivandjiiski's blog entry, which was titled "Allegations Of 'Shell Game' Fraud Involving Gerova Financial Group (GFC)," also provided a link from which readers could

download the report, a summary of its contents, and advice to readers to short the Company's stock.

3. Jason Piccin

145. Jason Piccin ("Piccin") is a 46 year old individual residing at the same at the same Newton, Massachusetts address as Keith and Victoria Dalrymple and another Bulgarian woman named Yuliya Mladenova, who appears to have resided with the Dalrymples at various addresses in Florida, Illinois and Massachusetts since 2003.

146. Since 2009, filings on behalf of Dalrymple Finance with the Florida Secretary of State have listed Piccin as the "care of" contact for Dalrymple Finance, as well as for its two listed managers, Keith Dalrymple and Victoria Dalrymple. Mr. Dalrymple and Piccin are life-long friends, having graduated together from Waltham High School in 1983, not far from the location in Newton, Massachusetts that Dalrymple Finance currently lists as principle place in business and where Piccin, the Dalrymples, and Ms. Mladenova reside.

147. Piccin has sworn under oath that he forwards all mail he receives for Dalrymple Finance to Keith Dalrymple but that he is not "employed" by Defendants.

148. Defendants' scheme required that someone who would not be immediately identified as involved with Dalrymple or connected with Hintz make contact Weinberg of Forbes.com, after Weinberg had published his January 5, 2011 blog entry based on the false and defamatory information provided by Hintz, in order to coordinate and arrange for Weinberg to publish a blog entry concerning the Dalrymple GFC Report immediately after the report's release on zerohedge.com. Piccin appears to have acted as this "anonymous" liaison. Among the commenters to Weinberg's January 5, 2011 blog entry was a person using the handle "jasonpiccin," who created his account at Forbes.com in January 2011 and who, other than the two comments he offered in support Weinberg's January 5, 2011, has never before nor since felt compelled to comment on any other story on Forbes.com. It appears Piccin reached out to Weinberg and arranged for the January 10, 2011 coordinated publication of the Dalrymple GFC Report on zerohedge.com and Forbes.com

149. Accordingly, just fourteen minutes after the Dalrymple GFC Reptort was published on zerohedge.com, Weinberg published a fully formed blog entry, including pictures, in which he summarized and quoted from the report, and provided readers a link to Ivandjiiski's blog entry on zerohedge.com where they could download the report. Weinberg did not acknowledge that zerohedge.com had "broken" the story fourteen minutes earlier or state anywhere in the blog that the link from which readers were invited to download the report pointed to Ivandjiiski's blog entry on zerohedge.com.

D. Agency, Conspiracy, Aiding & Abetting

150. At all times herein mentioned each of the Defendants and their co-conspirators was the agent, servant, employee, co-conspirator, co-venturer, alter-ego, owner, principal, member, and/or manager of the other Defendants and co-conspirators, and acted with the permission and consent of each other and in the course and scope of the authority to act for each other, and each has ratified and approved the acts, omissions, representations and activities of each other, and was doing the things herein alleged, while acting within the course and scope of said agency, service or employment.

151. At all times herein mentioned each of the Defendants and their co-conspirators was aware that the other Defendants and co-conspirators planned to engage in the wrongful acts alleged herein and agreed and conspired with each other to engage in the acts of unlawful acts alleged herein, and/or aided and abetted, as alleged herein, the acts of each other, and encouraged, ratified, gave substantial assistance to and/or accepted the benefits of the acts of each other, such assistance being a substantial factor in the harm alleged to have suffered by Plaintiff herein.

III. JURISDICTION AND VENUE

152. This Court has jurisdiction over the claims in this action based upon (a) the publication of false, defamatory and defamatory statements in the State of New York, as set forth herein; (b) the use of New York State based websites to publish the false, defamatory and defamatory statements; (c) Defendants' business activities in the State of New York, as set forth herein, and (d) the injuries caused by Defendants through the acts alleged herein to residents of

the State of New York who were shareholders in the Company and/or who had a financial interest in the Company; (e) Defendants' successful plan to unlawfully profit, by using their false, defamatory, and defamatory statements for the purpose of injuring the Company, Noble, and other persons, including residents to the State of New York, for the express purpose of injuring the Company and Noble and manipulating the price of the Company's stock in trading on a stock exchange located in the State of New York, specifically the New York Stock Exchange.

153. This Court has jurisdiction over the claims in this action based upon (a) the publication of false, defamatory and defamatory statements in New York County, as set forth herein; (b) the use of New York County based websites to publish the false, defamatory and defamatory statements; (c) Defendants' business activities in New York County, as set forth herein, and (d) the injuries caused by Defendants through the acts alleged herein to residents of New York County who were shareholders in the Company and/or who had a financial interest in the Company; (e) Defendants' successful plan to unlawfully profit, by using their false, defamatory, and defamatory statements for the purpose of injuring the Company, Noble, and other persons, including residents of New York County, for the express purpose of injuring the Company and Noble and manipulating the price of the Company's stock in trading on a stock exchange located in the New York County.

IV. BACKGROUND OF THE COMPANY

A. Company's Origin As A SPAC And Noble's Early Investment In It

154. The Company was previously named, and started as Asia Special Situation Acquisition Corporation, ("ASSAC"), a Cayman Islands corporation formed as a SPAC under Cayman Islands law on March 22, 2007, for the purpose of acquiring control of one or more as yet unidentified operating businesses, through a capital stock exchange, asset acquisition, stock purchase, or other similar transaction, including obtaining a majority interest through contractual arrangements.

155. Pursuant to Rule 424(b)(1), ASSAC filed its prospectus for the initial public offering ("IPO") of units in ASSAC on January 16, 2008. ASSAC offered 10,000,000 units,

with each unit being sold at a purchase price of $10.00 and consisting of (i) one ordinary share; and (ii) one warrant, which entitled the holder to purchase one ordinary share at a price of $7.50. At the time of the offering, each warrant was to become exercisable on the later of ASSAC's completion of a business combination or January 16, 2009, and was intended to expire on January 16, 2012, or earlier upon redemption.

156. At the same time of the IPO, Plaintiff Noble Investment made a critical seed investment of $5,725,000 in the Company in exchange for warrants in the Company. The warrants contained restrictions prohibiting their exercise or transfer until the earlier of the consummation of a business combination. Thus, Noble Investments would not receive the benefit of its investment in ASSAC until such time as ASSAC consummated a business transaction. In addition, Noble made a bridge loan of $500,000 to the Company to assist in covering operating costs.

157. Noble's critical role in the Company was well known and was meticulously disclosed in the Company's filings, including its IPO prospectus of <u>January 16, 2008</u>. Thus, it was widely known and understood among members of the venture capital community, the special acquisition company investor community, investors in the Company, various acquisition targets of the Company, and others that Noble was the seed investor in the Company and was instrumental in the Company's formation.

158. The IPO raised $115 million from outside investors. Those proceeds were placed in a trust account in the United Kingdom with Morgan Stanley, and invested in conservative U.S. government securities, to be used for the purpose of making certain strategic acquisitions on behalf of ASSAC.

159. The transforming of ASSAC from a SPAC to an operating company was to be accomplished through concurrent transactions that were required to be ratified by a majority of ASSAC shareholders by January 23 2010. ASSAC, through its SEC filings, which were distributed to shareholders of record contemporaneous with such filings, including to investors in the State of New York, described and fully disclosed the business plan it fully intended to follow.

B. Company Shifts Focus To Creating Synergistic Combination Of Insurance Companies with Hedge Funds With Substantial But Illiquid Capital Assets

160. In late 2009, after previous attempts to acquire certain operating companies in Asia did not come to fruition, the board of the Company shifted its focus towards acquiring and combining, on the one hand, non-US reinsurance businesses, and, on the other hand, hedge funds that had substantial but presently illiquid capital assets because of continuing liquidity issues in financial markets.

161. Underlying this shift in strategy was: (1) the recognition that hedge funds suffering from liquidity issues had substantial capital assets but because of liquidity issues could be acquired for substantially lower prices than their intrinsic worth; (2) the recognition insurance companies could put use the illiquid capital assets of hedge funds as regulatory capital on which to increase its policy writing capacity; and (3) the expectation that the combination of these assets would create substantial value for the Company's original investors as well as the owners of, and/or investors in, targeted hedge funds and insurance companies that chose to continue their participation following the merger. Moreover, the Company determined that the insurance float – the amount of prepaid premiums held by the insurance company prior to the payment of a claim – could be invested in secured loans to middle market borrowers in the US not otherwise being served by traditional lenders who had- and continue to – curtailed their lending activities.

162. The Company needed to conclude acquisitions in accordance with this plan on or before January 23, 2010 (the "Closing Date") or liquidate and distribute to its public shareholders the proceeds of its $115.0 million trust fund, pursuant to the Company's by-laws, and corporate provisions consistent to the corporate governance of SPACs. Furthermore, the Company's public shareholders had the right to approve or reject the proposed acquisitions, and if they rejected the transactions were entitled to request return of substantially all of their initial investments

163. To accomplish this strategy the Company's management identified four initial targets for acquisition and combination: (1) certain hedge funds managed by Stillwater Capital

Partners ("Stillwater Funds"); (2) Ireland registered reinsurance company and Bermuda registered reinsurance company of Northstar Group Holdings, Ltd. in which certain Stillwater Funds already held an interest ("Northstar"); (3) certain hedge funds managed by Weston Capital Asset Management LLC ("Wimbledon Funds"); (4) and the Amalphis Group, Inc., a British Virgin Islands company ("Amalphis"), and its wholly-owned subsidiary, Allied Provident Insurance Company Ltd., a Barbados specialty property and casualty insurance and reinsurance company ("Allied Provident" and, together with Amalphis, the "Allied Provident Group").

164. As disclosed in one of several Form 6K filings made by the Company on January 7, 2010, on January 6, 2010, the Company entered into a series of agreements, all dated as of December 31, 2009 ("Acquisition Agreements") by which these acquisitions were to be consummated ("Acquisition Transactions") subject to shareholder approval.

165. A summary of the terms of each of the Acquisition Transactions follows.

1. <u>The Amalphis Acquisition</u>

166. Through a share exchange agreement (the "Amalphis Agreement"), by and among the Company, Amalphis, and its wholly-owned subsidiary, Allied Provident, and the other shareholders of Amalphis, the Company would acquire an indirect 81.5% economic interest in Allied Provident, a Barbados specialty property and casualty insurance and reinsurance company.

167. The majority of the largely illiquid assets of the Wimbledon Funds were to be contributed to Allied Provident providing Allied Provident approximately $114 million in additional regulatory capital, as set forth in the agreements and filed on Form 6K with the SEC.

2. <u>The Wimbledon Acquisition</u>

168. Through asset purchase agreements the Company would acquire all or substantially all of the assets and assume all of the liabilities of the Wimbledon Funds for approximately $114 million worth of the Company's shares. As discussed below, the Company copiously disclosed the illiquid and challenged nature of the Wimbledon Funds assets that it was acquiring.

3. <u>The Northstar Acquisition</u>

169. An important component of the acquisition strategy was the acquisition of Northstar Group Holdings Ltd, which is the owner of three insurance subsidiaries with over $800 million in liquid reserves in its investment accounts principally in the form of rated fixed income securities, and several billion dollars of insurance policies in force. Northstar's subsidiaries included fully licensed carriers in Bermuda and Ireland that could be used to write new life and annuity reinsurance.

170. The incumbent managers of the Stillwater Funds had previously contributed $70 million of illiquid fund assets to Northstar in exchange for a 38% economic interest and 40% voting interest in Northstar, and based on this capitalization, Northstar had been able to increase the amount of policies it wrote and thus its revenue.

171. The Gerova board had reasonable bases to believe that the business model of Northstar could be expanded from its current size provided that it its regulatory capital were increased and if the parent company were to be listed on a national stock exchange in the United States. Based on these assumptions the Company sought to conclude the transaction with Stillwater and Northstar simultaneously.

172. On January 6, 2010 the Company entered into a non-binding letter of intent, dated as of December 22, 2009, by and among the Company, Northstar, other equity holders of Northstar, and its principal creditor Commerzbank AG (the "Northstar Letter of Intent"). By the terms of the Northstar Letter of Intent, the Company would acquire Northstar and its wholly-owned subsidiaries through a transaction in which the incumbent equity holders received cash and notes and the existing $45 million letter of credit with Commerzbank, a large German banking group, would be replaced by Gerova with another bank

173. Subsequent to the consummation of the business combinations, on <u>March 5, 2010</u>, Commerzbank approved Gerova for a $45 million Letter of Credit collateralized by $150 million in Stillwater Funds assets acquired by Gerova.

174. In addition to the 40% voting interest, Gerova entered into an option and a voting proxy with shareholders representing an additional 10% of the vote of the company.

Accordingly, under GAAP, Gerova was required to consolidate the financial statements of Northstar with its own financial statements. This resulted in over $800 million in assets being consolidated, which was reflected in the estimated total assets of the Company of approximately $1.5 billion when taken together with the Amalphis, Stillwater and Wimbledon assets.

175. In a similar manner in which the assets of the Wimbledon Funds were to be contributed as regulatory capital to Allied Provident, the largely illiquid assets of the Stillwater Funds were to be contributed as regulatory capital to Northstar.

4. The Stillwater Acquisition

176. Through a series of agreements and plans of merger the Company would finally acquire the assets and assume the liabilities of several pooled investment funds Stillwater Funds in exchange for approximately $540 million in Company shares, subject to a post-closing appraisal of the assets and associated adjustment of the number of Company shares given to investors in exchange, including the right to cancel, or claw back, up to 100% of shares of the Company depending on post closing adjustments to valuations. As discussed herein, copious disclosures were made concerning the distressed and liquid quality of the Stillwater Funds' assets that the Company was to acquire.

177. Through the Stillwater Acquisition the Company gained a 38% economic interest and 40% voting interest in Northstar.

C. Company Makes Copious Disclosures Of Risks In Advance Of Required Vote By Shareholders To Approve Or Reject Planned Acquisitions

178. While Noble had confidence in the ultimate success of the Acquisition Transactions and related business plan of the Company (and remains confident that the Company would have succeeded but for the actions by Defendants and their co-conspirators alleged herein), it is relevant to note in light of the (false and defamatory) statements later made by Defendants and their co-conspirators, that the Company made copious disclosures of risk in advance of the vote by shareholders to approve or rejected the Acquisition Transaction.

179. On January 7, 2010, the same day that the Company filed a Form 6K and announcing and describing the proposed Acquisition Transaction and the Company's entry into

the Acquisition Agreements on the day before, the Company issued an over 400 page proxy to its public shareholders in which the details of the Acquisitions Transactions ("January 2010 Proxy"), including the risks of the transactions, as well as the Company's business strategy, were prominently and copiously disclosed.

180. For example, concerning the Company's proposed business strategy, in the middle of the first full page of text after the table of contents the January 2010 Proxy highlighted that a key component of the Company's business plan was to acquire hedge fund assets that were "largely illiquid." It further described the hedge funds that it sought to acquire as "experience[ing] acute liquidity issues" and "constructively insolvent":

Our Strategic Plan

Hedge funds have experienced acute liquidity issues arising from a confluence of factors including leverage providers de-leveraging and fundamental risk management lapses in asset/liability duration matching by hedge fund managers. Many hedge funds continue to hold long dated assets and have significant short-term liabilities in the form of client redemptions. As a result, many are constructively insolvent. However, unlike other financial companies, hedge funds generally have the legal right to suspend redemptions at their discretion. Similar circumstances with banks and insurance companies result in regulatory action, including receivership. Notwithstanding, investors are applying significant pressure to force hedge fund redemptions.

Our business plan contemplates the acquisition of performing but largely illiquid financial assets at discounted and appraised net asset values, and contributing such assets to our insurance company subsidiaries as additional regulatory capital. Based on market research, ASSAC management believes that approximately 10% of hedge fund assets are either subject to suspended redemption or are "side pocketed" and therefore illiquid, which represents an opportunity in excess of $130 billion. ASSAC believes there is an opportunity to acquire as much as $10.0 billion in performing assets over the next 12 to 24 months. Our 'proof

181. The January 2010 Proxy further made clear that this description did not apply to just some future hypothetical deals. Rather, the proxy referred to the Acquisition Transactions as the Company's "'proof of [this] concept.'"

Our 'proof of concept' is that we have, within the past two months, been able to execute agreements for the acquisition, through merger and asset purchase, of nine pools of financial assets from Stillwater and Weston, two established hedge fund managers, totaling in excess of $650.0 million. These assets will be contributed as regulatory capital to the insurance subsidiaries.

182. Additional disclosures concerning the illiquid and challenged nature of the Stillwater Funds and Wimbledon Funds to be acquired, as well as other assets that might later be included:

Limited Liquidity

A substantial portion of the investments currently held by the Stillwater Funds and the Wimbledon Funds lack liquidity. Furthermore, though it is intended that new investments will be in securities traded on listed exchanges, some investments may be thinly traded. This could present a problem in realizing the prices quoted and in effectively trading the position(s). In certain situations, the Insurance Companies may invest in illiquid investments which could result in significant loss in value should they be forced to sell the illiquid investments as a result of rapidly changing market conditions or as a result of margin calls or other factors. In addition, U.S. futures exchanges typically establish daily price limits for most futures contracts. If the future's price moves up or down in a single day by an amount equal to the daily price limit, it might not be able to enter or exit a position as desired. This may prevent an exit from an unprofitable position and lead to losses. In addition, the exchange or the CFTC may halt trading in a particular market or otherwise impose restrictions that affect trade execution.

Stillwater Funds

The Stillwater Funds are a collection of Delaware limited partnerships and Cayman Islands exempt companies, all of which are pooled investment vehicles commonly referred to as "hedge funds" and "private equity funds". The Stillwater Funds are managed by Stillwater or its affiliates. There are three Delaware based and four Cayman Islands based funds which finance portfolios of mostly illiquid and privately offered short and medium term loans and other asset backed obligations for various types of borrowers, and participate in loans and loan portfolios of other lenders.

183. The January 2010 Proxy furthermore made clear that the value assigned to Stillwater Funds were *"**estimated**"* net asset values ('Estimated NAVs')" (emphasis added), that the Estimated NAVs used in the proxy were from "the high end of any estimated range of value," and that the Estimated NAVs were subject to a "post-closing audit and adjustment," by which the number of Company shares investors in the Stillwater Water Funds received would be adjust according to the final valuation assigned to the assets.

The consideration payable on the Closing pursuant to (i) each of the merger agreements with the Stillwater Delaware Funds (the "Merger Consideration") and (ii) each of the asset purchase agreements with the Stillwater Cayman Funds (the "Asset Purchase Consideration", and collectively, with the Merger Consideration, the "Purchase Values") shall be equal to 100% of their unaudited estimated net asset values at December 31, 2009 (the "Estimated NAVs") as determined in good faith by Stillwater.

Post-Closing Audit and Adjustment

The Purchase Values attributable to each of the Stillwater Funds at Closing shall be adjusted following the Closing to 100% of their independently appraised net asset value as at December 31, 2009 ("Appraised NAVs"). The Appraised NAVs will be based on the Estimated NAVs of each of the Stillwater Funds as at December 31, 2009, subject to audit based upon appraisals of each of such Stillwater Funds prepared by Houlihan Smith, or other business and asset appraisal firm mutually acceptable to Stillwater and ASSAC, to be valued at the high end of any estimated range of value in accordance with the NAV valuation methods attached to the Stillwater Agreements or such other valuation methods as are approved by ASSAC.

Such audited financial statements and Appraised NAVs shall be delivered to ASSAC by not later than March 31, 2010. To the extent that the Appraised NAV of any one or more of the Stillwater Funds shall be greater or less than the Purchase Values attributable to such Stillwater Funds pursuant to the applicable merger agreement or asset purchase agreement, the aggregate number of the ASSAC ordinary shares issuable to limited partners of the Stillwater Delaware Funds and/or to the Stillwater Cayman Funds (or their shareholders), upon the automaticconversion of the Preferred Shares (the "Conversion Shares") shall be appropriately increased or decreased as set forth below, subject to certain floors on the adjustments with respect to the SMNF-Cayman Fund and the Stillwater Delaware Fund of Funds, as described in the Stillwater Agreements relating to such Stillwater Funds.

184. Similar disclosures concerning the use of Estimated NAVs for the Wimbledon Funds were made, as well as disclosures concerning risks related to the Allied Provident and Northstar acquisitions.

185. Concerning the risks associate with the Northstar Acquisition, the Company highlighted the possibility that there were several conditions precedent to consummation of the transactions, and the risk that the Northstar transaction would not be consummated. Specifically, it stated that the conditions precedent were: (i) completion of a mutually

satisfactory due diligence investigations; (ii) negotiation and execution of a definitive merger or related agreement; (iii) obtaining certain insurance regulatory approvals, and (iv) obtaining the consent of Commerzbank, the senior lender to the Northstar Companies.

186. More generally the proxy specifically warned of risks that could arise given the fact that the Company began its existence as a SPAC and so had no operating history:

> ***A market for our securities has existed only since January 16, 2008 and since that time, the market for our securities has reflected our status as a blank check company. A market for our securities reflecting our ownership of the Targets and our being engaged in the reinsurance business may not develop, which could adversely affect the liquidity and price of our securities.***
>
> A market for our securities has existed only since January 16, 2008. From that date through the present, we have been a blank check company, and were not engaged in any business that could be evaluated using customary stock valuation metrics and methodologies. Therefore, shareholders should be aware that they should not rely on information about prior market history in connection with their voting decisions relating to the matters described in this proxy statement. There can be no assurance that if Closing occurs a market for our shares reflecting our status as an operating company engaged in the reinsurance business will develop or as to the depth and liquidity of any such market.

D. After January 2010 Shareholder Vote Business Plan Is on Track

187. The plethora of risks that were disclosed in the proxy in combination with the poor performance in investor road shows by Marshal Manley who was hired to lead the Company through the transition to an operating company caused a very substantial portion of the IPO investors to vote against the Acquisition Transactions and seek redemptions.

188. In the January 16, 2010 prospectus for the 2008 IPO and elsewhere in the Company's filings made during the period in which it was a SPAC, the Company disclosed that because, in the event that the Company was dissolved as a result of an insufficient number of shareholders approved proposed transactions, Noble's warrants for which it paid almost $6 million would become worthless, in the event that such a scenario appeared likely to occur Noble would arrange to have a sufficient number of shares purchased from dissenting shareholders and voted in favor of the transactions so that the transactions were consummated.

189. Accordingly, even though the Company was required to return $112.4 million to its IPO investors, the Company was able to gain sufficient shareholder approval at an Extraordinary General Meeting of Shareholders held on January 19, 2010 to go forward with the Acquisition Transactions.

1. <u>Company's First Five Months As An Operating Company Are Difficult For Reasons Fully (And Gratuitously) Disclosed By The Company</u>

190. As a result of the high level of redemptions by shareholders that occurred and the associated loss of most of its working capital, the Company's first five months of its existence were not easy.

191. Furthermore, subsequent to the publication of the January 2010 Proxy statement, the private investment firm Harbinger Capital Management ("Harbinger") launched a hostile effort to acquire the Northstar. The Harbinger interference at the 11th hour was significantly disruptive for the Company and contributed significantly to a delay in the closing of the Northstar Acquisition, which was already being undertaken in a fully disclosed compressed period of time. The consummation of the Stillwater acquisition, and the equity interests in Northstar that the Company acquired thereby, under Bermuda law blocked Harbinger from taking control of Northstar. However, as a result of the Harbinger bid the incumbent management and board of Northstar and the management of the Company became estranged. As a result, the Company was not able to consummate the entirety of the Northstar acquisition as originally contemplated, but rather was only able to acquire, through an all stock deal with one of Northstar's shareholders, additional interests that brought its economic equity interest in Northstar up to 43.01% and its voting interest in Northstar up to 51%.

192. On <u>June 6, 2010</u>, approximately three weeks before it was announced that the Company would be included in the Russell 3000 Index and substantially before the <u>June 30, 2011</u> deadline for the filing, Gerova issued, on Form 20-F ("June 2010 20-F) filed with the SEC, its financial statements for the fiscal year ended December 31, 2009. And while the Company was not required to incorporate the filing information concerning the transactions and changes that had occurred subsequent to the end of the 2009 fiscal year, but prior to the issuance of the Form 20-F, the Company did so in order to ensure that actually an potential shareholders of the Company were informed concerning the present condition of the Company and its brief history as an operating company.

193. The Form 20-F, which was over 100 pages long, did not sugar coat things. Rather, in section titled "Risk Factors," which began on page 8 of the filing and continued through the end of page 26 of the filing, the 20-F listed a veritable parade of horribles that the Company faced. The 20-F specifically advised:

> *You should carefully consider the following risk factors and the other information included herein as well as the information included in other reports and filings made with the Securities and Exchange Commission (the "SEC") before investing in our securities. If any of the following risks actually occurs, our business, financial condition or results of operations could be harmed. The trading price of our units, Ordinary Shares and warrants could decline due to any of these risks, and you may lose part or all of your investment.*

194. These risk factors that investors were advised to read, with headings italicized, included, but are in no way limited to:

We may be required to access additional working capital.

As disclosed in our Form 6-K dated January 22, 2010, in connection with our business combination transactions consummated in January 2010, we repurchased for approximately $112.4 million an aggregate of approximately 11.2 million ordinary shares from our public shareholders resulting in our retaining approximately $2.6 million in cash before transaction costs from the funds originally received in our January 2008 initial public offering. As such, we need additional working capital in order to expand our business operations. In the last few months we have sold or redeemed some of our acquired assets in order to generate additional working capital for operations. We believe that we have has sufficient sources of liquidity to finance our existing operations for the coming twelve months. However, we may be required to raise additional debt and/or equity capital to finance our planned activities or potential acquisitions. There can be no assurance that we will be successful in raising additional capital if we elect to do so, or if such capital is available, that it will be on acceptable terms that will not otherwise dilute the equity interests of our existing shareholders.

We have no operating history and our future performance cannot be predicted based on our historical financial information.

We did not commence meaningful operations until January 20, 2010. Therefore, there is no historical information upon which to evaluate our performance. In general, companies in the initial stages of development present substantial business and financial risks and may suffer significant losses. There can be no assurance that we will be able to generate sufficient revenue from operations to pay our operating expenses. We also will be subject to risks generally associated with the formation of any new business. We must successfully develop business relationships, establish operating procedures, acquire property, obtain regulatory approvals, hire management and other staff and complete other tasks appropriate for the conduct of our business activities. In particular, our success depends on, among other things, our ability to:

We may be required to make material adjustments in the value of certain of our assets which could lower our total capital base.

As part of our January 2010 acquisition of the assets and liabilities of various pooled investment vehicles (the "Stillwater Funds") then managed by Stillwater, the purchase price for those assets was based upon approximately $541.25 million of estimated net asset values as of December 31, 2009 (the "Estimated Asset Values") which were provided to us by Stillwater. Such Estimated Asset Values are subject to a post-acquisition adjustment based upon an independent audit of approximately 90% of those assets. Although the independent audit has not yet been completed, such audit may conclude that the final net asset values of the Stillwater Funds are materially lower than the Estimated Asset Values. Although the share adjustment provisions contained in our acquisition agreements entitle us to issue a correspondingly lower number of our Ordinary Shares to the former investors and beneficial owners of the Stillwater Funds and our net shareholder equity per share would not be affected, any reduction to the Estimated Net Asset Values of the Stillwater Funds would result in our company having lower total net assets and a lower total capital base.

We may not have enough liquidity to service and maintain certain of our assets, which could cause certain of our assets to lose value.

Certain of the Stillwater Funds have historically invested primarily in real estate, loans made to attorneys, and life settlement and premium finance loans. A portion of these investments require us to invest additional funds to service these assets and preserve their value. In particular, our premium finance business and related life insurance assets and collateral require significant ongoing funding to pay the periodic premiums due on the life insurance policies in order to preserve their value and keep such policies from lapsing. Failure to pay premiums will directly result in a loss of value on any lapsed policy. Similarly, our law firm loan portfolio may benefit from us to making additional advances to law firm borrowers from time to time in order to allow the borrowers to pursue contingent litigation matters on which these borrowers may earn fees which are intended to serve as the source of repayment of our loans. If we elect to curtail the funding of the litigation activities of these borrowers, or are unable to fund additional advances for various reasons it could have a negative impact on our ability to collect the full amount of the existing or future loans. In addition, our real estate loans and real estate investments may require additional funding in order to realize revenue or preserve economic value. Overall, if we do not have sufficient liquidity to meet the various funding requirements to preserve these assets, a substantial portion may suffer a material loss in value.

Our failure to obtain the audits of certain of our assets may adversely affect our business and operations.

Under the terms of our acquisition agreements, Stillwater and certain of the Stillwater Funds were obligated to provide us by not later than March 31, 2010 audits of certain of such Stillwater Funds as at December 31, 2009. To date, such audits have not been completed. Further delays in receiving such audit reports may materially and adversely affect our ability to raise additional capital and could result in our breach of certain agreements to register under the Securities Act of 1933, as amended (the "Securities Act"), the shares we issued in connection with our January 2010 acquisitions. Although we believe that such audits will be completed in the near future, there is no assurance that they will be made available on a timely basis, if at all.

As a non-U.S. company, we have elected to comply with the less stringent reporting requirements of the Exchange Act, as a foreign private issuer.

Limited Liquidity

A substantial portion of the investments held by the Insurance Companies will lack liquidity. In certain situations, the Insurance Companies may invest in illiquid investments which could result in significant loss in value should they be forced to sell the illiquid investments as a result of rapidly changing market conditions or as a result of margin calls or other factors. In addition, U.S. futures exchanges typically establish daily price limits for most futures contracts. If the future's price moves up or down in a single day by an amount equal to the daily price limit, it might not be able to enter or exit a position as desired. This may prevent an exit from an unprofitable position and lead to losses. In addition, the exchange or the CFTC may halt trading in a particular market or otherwise impose restrictions that affect trade execution.

Allied Provident currently issues reinsurance to only one insurer.

A market for our securities has existed only since January 16, 2008 and from that time until January 20, 2010, the market for our securities reflected our status as a blank check company. A market for our securities reflecting our being engaged in the insurance business from and after January 20, 2010 may not develop, which could adversely affect the liquidity and price of our securities.

A market for our securities has existed only since January 16, 2008. From that date through January 20, 2010, we were a blank check company, and were not engaged in any business that could be evaluated using customary stock valuation metrics and methodologies. Therefore, shareholders should be aware that they should not rely on information about prior market history in connection with their investment decisions relating to the Ordinary Shares.

The distribution of a significant number of our Ordinary Shares to the former investors and beneficial owners of the Stillwater Funds and the Wimbledon Funds could materially affect the market for and price of our publicly traded shares.

Subject to completion of the audits of certain of our assets and the effectiveness of our resale registration statement with respect to the Ordinary Shares issuable to the former investors and beneficial owners of the Stillwater Funds and the Wimbledon Funds, we expect to distribute such shares in February 2011. It may be anticipated that in order to achieve liquidity, many of these former investors and beneficial owners will seek to sell a substantial amount of their shares in the public markets, which, absent an adequate demand for such shares at that time, could reasonably be expected to have a material adverse affect on the market price of our Ordinary Shares.

195. As certain of the above disclosures indicate, the Company had, in fact, already previously made some of these disclosures in previous filings with the SEC and, as mentioned the Company was not legally obligated to provide information in this filing concerning events that had occurred in the five months since the end of 2009. However, reflecting an apparent desire that any person who chose to invest in the Company did so with knowledge of the risks of such an investment, the Company went to great pains to lay out and highlight those risks.

196. Among the other information disclosed in the June 2010 20-F was: the status of Gerova's acquisition of Northstar; the Company's receipt approval from the Bermuda Monetary Authority to register a newly-formed Bermuda company, GEROVA Reinsurance, Ltd., as a long-term insurer, to authorize it to underwrite life and annuity reinsurance business; and the execution of asset management agreements with Stillwater and Weston.

197. On <u>June 20, 2010</u>, the Company issued an Amended Form 20-F ("June 2010 Amended 20-F") "to update certain Risk Factors related to the Company, to include information on recently appointed executive officers, to provide additional disclosures regarding corporate governance, and to highlight certain reporting differences relate to foreign private issuers."

198. None of the risk factors described in the original 20-F were edited or removed, only expanded. Specifically, while the discussion of the risks posed by limited liquidity to the Company's ability to maintain certain assets was termed in the conditional in the original 20-F in the amended 20-F the discussion is stated in the definitive and the discussion extended by two additional paragraphs, in which the Company made very clear that the risks concerning the challenged quality of many assets it had acquired and its lack of significant cash reserves, about which it had issued repeated warnings were starting to come to fruition, including the lapse

"[s]ince December 2009, of over 50% of the original face amount" of certain life insurance asset that the Company had acquired from Stillwater: :

> ***We may not be able to collect on certain of our assets and our lack of liquidity has resulted in the loss in value of certain collateral.***
>
> Certain of the Stillwater Funds have historically invested primarily in loans secured by real estate, loans made to law firms in connection with tort litigation claims, and loans made to borrowers who, in turn, have invested in life insurance policies and made certain premium finance loans in connection therewith. Although all the loans were originated as secured loans with what was deemed to be adequate collateral, as at December 31, 2009, a substantial majority of the real estate loans were experiencing interest payment delinquencies of 90 days or more, a small percentage of our law firm loans have ceased to accrue interest, and a substantial majority of all of these loans had been extended beyond their original maturity dates by more than six months. Additionally, certain of these loans were already declared in default resulting in legal action by Stillwater, including the foreclosure of certain real estate collateral. Although we have been advised that most of the principal amount of and accrued interest on the loans made by the Stillwater Funds will eventually be fully repaid by the borrowers, their guarantors or through foreclosure and disposition of collateral, there is a risk that a substantial portion of such loans may ultimately be non-performing or uncollectible.
>
> Similarly, our law firm loan portfolio may benefit from us making additional advances to law firm borrowers from time to time in order to allow the borrowers to pursue contingent litigation matters on which these borrowers may earn fees which are intended to serve as the principal source of repayment of our loans. If we are unable or otherwise elect not to continue to fund the litigation activities of these borrowers, it may have a negative impact on our ability to collect the full amount of the existing or future loans. In addition, our real estate loans and real estate investments may require additional funding in order to realize revenue or preserve economic value. Overall, if we do not have sufficient liquidity to meet the various funding requirements to preserve this collateral, a substantial portion of these assets may suffer a material loss in value, which would adversely affect our ability to collect on the loans.
>
> In order to preserve the value of certain collateral, a portion of the Stillwater Funds asset backed loans may benefit by our investing additional funds to service the assets representing the collateral for such loans. Specifically, our premium finance business and related life insurance assets require significant ongoing funding by the borrower to pay the periodic premiums due on the life insurance policies in order to preserve their value and keep such policies from lapsing. In order to preserve the value of these life insurance assets, which are collateral for our loans to the borrower, we may be forced to make payments through the extension of additional loan advances to our borrower or through other direct payments. However, we have not made a substantial number of these payments primarily due to our lack of liquidity, as well as other factors including rate of return considerations, collateral adequacy and life expectancy estimates. Since December 2009, over 50% of the original face amount of these life insurance policies has lapsed. Although, we are taking steps to take control of our collateral in this asset class, if we do not service the portfolio by making such payments, the collateral represented by these policies will continue to lose further value.

199. In the misinformation campaign that Defendants and their co-conspirators launched, these disclosures made by the Company in its January 2010 Proxy and its June 2010 20-F and June 2010 Amended 20-F were completely ignored. Not surprisingly, later filed lawsuits by the plaintiffs' securities bar similarly also ignored these disclosures, one in particular stating:

> However, neither the January Proxy Statement nor subsequent Class Period [i.e. during the period during which the June 2010 20-F and June 2010 Amended 20-F were released] filings disclosed that at the time of the Stillwater Transaction, the Stillwater Funds were deeply distressed and insolvent, and were unable to honor numerous requests made by its investors.

> The true financial condition of the Stillwater Funds was revealed only after the Class Period [i.e. after the period during which the June 2010 20-F and June 2010 Amended 20-F were released], in court filings by Defendant Doueck.

200. As the above excerpts demonstrate, these allegations, which the misinformation by Defendants and their co-conspirators spawned, are completely without basis. Moreover, Defendants were clearly aware that the statements they made in this regard were false, as the GFC Dalrymple Report through which Defendants *inter alia* published these false statements included explicit statements contained in Gerova's 20-F.

2. Company Begins To Pick Up Steam In The Second Half Of 2010, While Continuing To Warn Of Risks Related To Assets Previously Acquired

201. On June 25, 2010, it was announced that Russell Investments had chosen to include the Company in its Russell 3000 Index upon the index's annual reconstitution.

202. Russell Investments summarizes the methodology by which *it* chooses companies to include in the Russell 3000 Index as follows. First, Russell Investments "[r]ank[s] the U.S. common stocks from largest to smallest market capitalization at each annual reconstitution period." Second, the "[t]op 3,000 stocks become the Russell 3000® Index." Third, the Russell 3000 Index membership is divided into the Russell 1000 Index into which the "[l]argest 1,000 stocks" are placed, the "[n]ext 2,000 stocks become the Russell 2000® Index," and "[t]he smallest 1,000 in the Russell 2000 Index plus the next smallest 1,000 comprise the Russell Microcap Index."

203. In the reconstituted Russell 3000 Index for 2010/11 of which the Company was made a component, the largest market capitalization of a component company was $411.18 billion and the smallest market capitalization of a component company was $130 million. The market capitalization range of companies in the Russell 1000 Index was $411.18 billion to $1.624 billion. Thus, Russell Investments included the Company in the Russell 3000 Index and the Russell 2000 Index but not the Russell 1000 Index.

204. The Company included in the same press release a discussion of various risk factors that could negatively affect the Company's future performance. The first of these risk factors listed was "potential material reductions in the value of a substantial portion of the

Company's assets acquired in connection with the business combinations consummated in January 2010."

205. Over the next several months, the Company worked to address the issues that the Acquisition Transactions had presented it with and complete its transformation into a successful operating company for the benefit of Noble and its other investors, all the while making filing after filing with the SEC so that its public investors remained informed concerning the Company's progress.

206. As was reported in an August 16, 2010 filing with the SEC at an extraordinary general meeting of the shareholders on August 10, 2010, approval was given of the Company's de-registration as a company under the laws of the Cayman Islands and continuance of Gerova as an exempted company under the laws of Bermuda. By changing its domicile to Bermuda the Company had positioned itself in second largest insurance market in the world.

207. On September 7, 2010, the Company received notice that the NYSE—after conducting the required extensive qualitative and quantitative analysis of the Company, including the adequacies of its filings and disclosures therein—had approved the listing of the Company's shares and warrants on the NYSE. As the Company's CEO explained in press release issued the same day and filed with the SEC as an attachment to a Form 6-K filed by the Company on the same day: "Listing on the New York Stock Exchange is a significant milestone for GEROVA and reflects the continued successful development of our innovative business model. We believe the NYSE listing will significantly increase GEROVA's visibility in the global financial markets[.] . . . In addition, this listing will benefit our stockholders through improved trading efficiencies, as the New York Stock Exchange is the world's largest and most liquid equities market. We are excited about the opportunity to elevate our Company's standing within the business and investment communities and look forward to joining other leading companies who are listed on this premier exchange."

208. The Company included in the same press release a discussion of various risk factors that could negatively affect the Company's future performance. Again, the first of these risk factors listed was "potential material reductions in the value of a substantial portion of the

Company's assets acquired in connection with the business combinations consummated in January 2010."

209. As discussed elsewhere herein, not long after the NYSE chose to list the Company's shares, Hintz was fired from the Company's affiliate Net Five for stealing from the Company and threatened to spread false and defamatory information about the Company if he was not paid $18 million. When his attempted extortion failed, it appears that Hintz joined forces with Defendants and their other co-conspirators to bring down the company and profit by its collapse.

210. Increasing the Company's visibility in global financial markets was important during this period because the Company was looking to acquire additional companies in order, in part, to address the facts that—as a result of interference caused by a hostile bid from a third party—the Company had not been able to acquire as much of Northstar as it had planned, and its need to make these acquisitions through share exchanges, so that it could conserve its scarce cash resources needed to service the assets it had already acquired.

211. Confirmation of this strategy soon occurred. On November 19, 2010, the holders of a majority of the Company's shares approved a reverse 5-1split.

212. Approximately two and half weeks later, after substantial due diligence by both sides, on December 7, 2010, the Company announced the acquisition, through all share deals, of Seymour Pierce Holdings Limited, a merchant and investment bank founded in 1803.

213. On the same day, after similar due diligence by both sides, the Company announced the acquisition of Ticonderoga, a New York based institutional broker dealer, on terms that included in addition to share-for-share exchanges investment by the Company of $5 million in capital to the acquired company.

214. Through these acquisitions, the Company chose to assume stringent governance and reporting obligations to the both the SEC and FINRA in the U.S. and the FSA in the U.K., a choice completely at odds with Defendants' characterization of the Company as one with "many hallmarks of classic fraud."

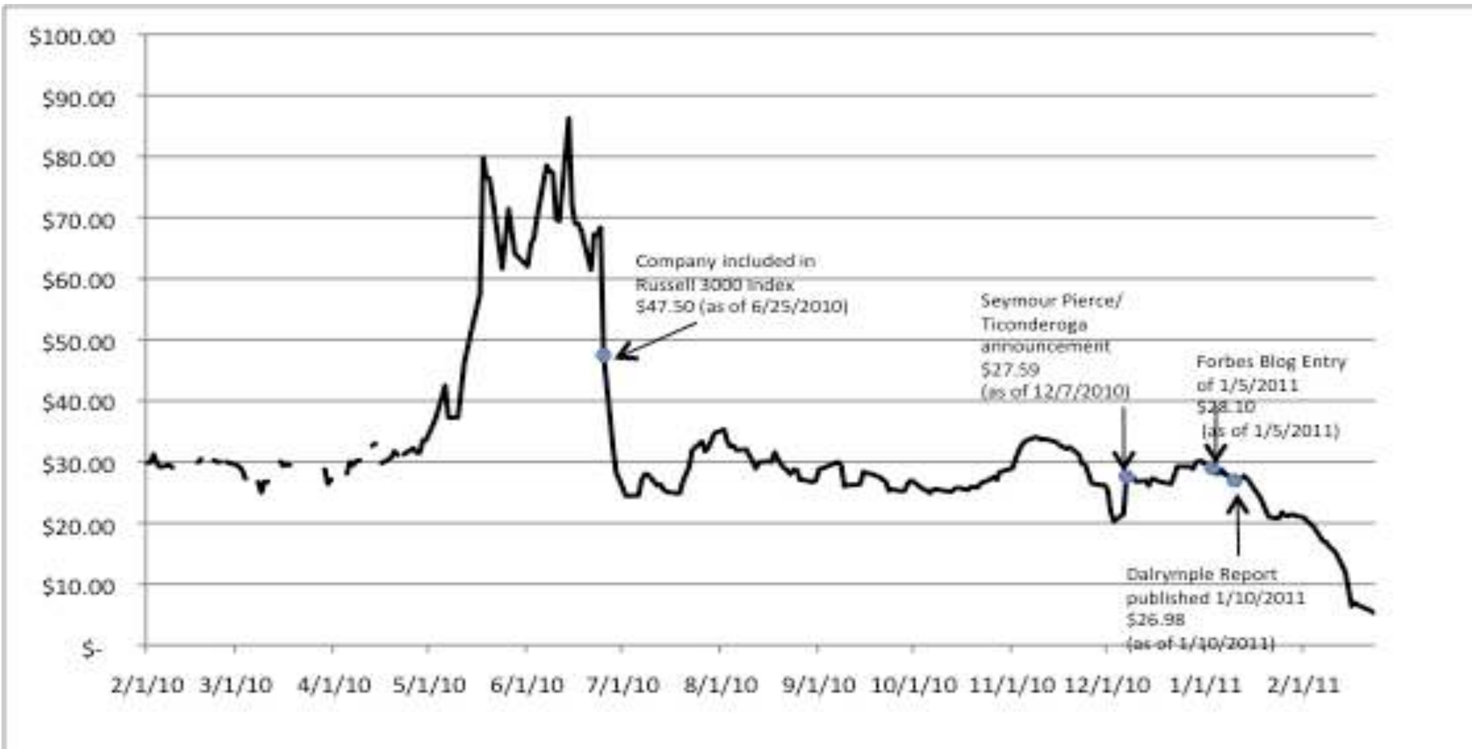
215. On the same day, Gerova also announced that effective January 1, 2011, Keith R. Harris, Chairman and Chief Executive Officer of Seymour Pierce, would become Chairman and Chief Executive Officer of Gerova, and that Gerova would enter into an employment agreement with Mr. Harris expiring June 30, 2014.

216. Prior to becoming Chairman and CEO of Seymour Pierce in April 1999, Mr. Harris served for approximately five years as global Chief Executive Officer of HSBC Investment Bank PLC, where he oversaw a staff of approximately 13,500 employees in forty-six countries. Mr. Harris also previously served as President of Morgan Grenfell in New York, the predecessor to JP Morgan acquired by Deutsche Bank in 1989, was a Managing Director of Drexel Burnham Lambert International, and was CEO of Apax Partners Worldwide, one of the largest private equity investors in the world. At the time of the announcement, he was also a director of two leading insurance industry providers, Aon Benfield Group Ltd and Cooper Gay.

217. The Company also announced that it would be changing its name to Seymour Pierce & Company Ltd., and would trade on the New York Stock Exchange under the new ticker symbol "SPI," reflecting clearly the intention for Seymour Pierce and its management team to assume control of Gerova as it continued its maturation into an operating company.

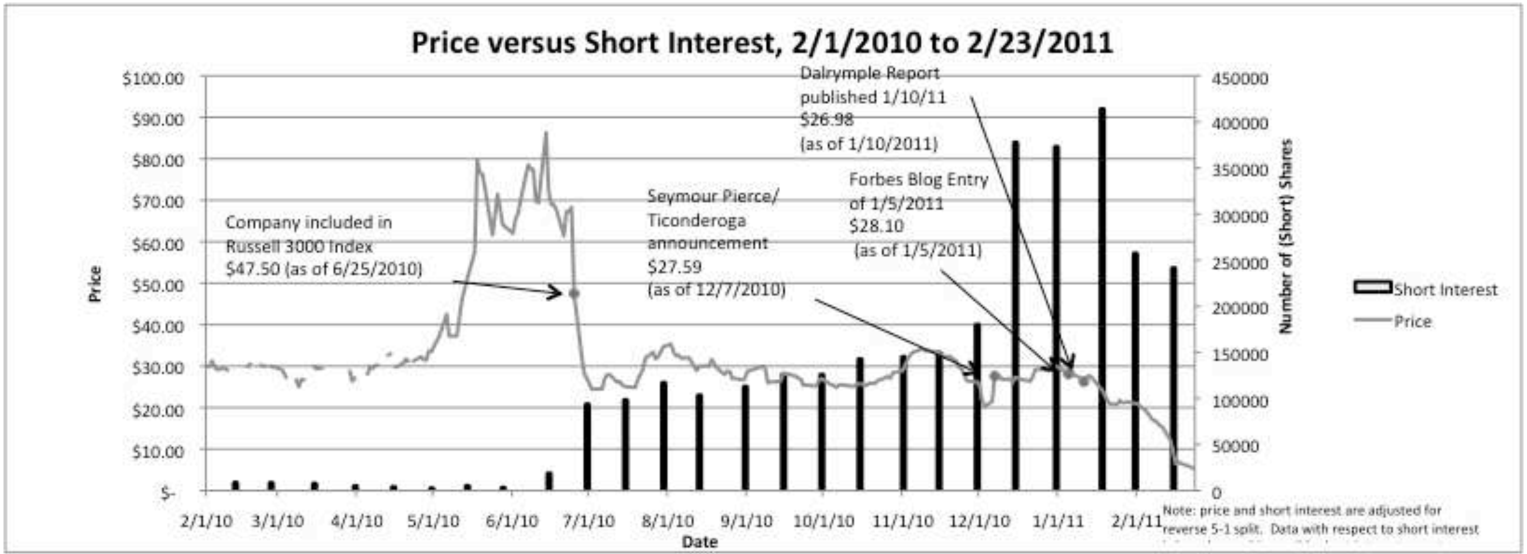
218. In the press release announcing these events, which the Company widely disseminated through PR Newswire and also filed as an exhibit to a 6-K filed on the same day, the Company included, once again, among the risk factors it faced concerning its future performance: "potential material reductions in the value of a substantial portion of the Company's assets acquired in connection with the business combinations consummated in January 2010."

219. As one would expect, the market reacted generally positively to these developments. After having initially lost some ground following the reverse split, following



announcement of the Ticonderoga and Seymour Pierce, the stock returned to the approximate level at which it had been trading following the proxy vote of January 2010, the only exception when trading activity spiked in connection with the Company's inclusion in the Russell 3000.

220. However, at the same time that the Seymour Pierce and Ticonderoga deals were announced and the Company's share price was increasing, the level of short selling more than doubled.



221. As would later become clear, the cause of this divergence between the Company's share price and the positive developments that the price reflected, on the one hand, and the huge increase in short selling, on the other, was huge levels of short selling in which Defendants and their co-conspirators were engaged in advance of their release of false and defamatory information concerning the Company, which they hoped would tank the stock.

222. Indeed, the extraordinary jump in short selling at or around the time that the Ticonderoga and Seymour Pierce deals were announced appears to reflect that Defendants and their co-conspirators were caught unaware by the announcement and were required to accelerate their plan so that the false and defamatory information they planned to spread would hit the market before the deals were fully consummated and thus the effect of their attack muted.

223. All disclosures from the date of the Company's formation as a SPAC in 2007, the execution of the Acquisition Transactions and proxy solicitation, up to and including the date of the initiation of the Defendants' scheme show the history of a company that had successfully raised capital in a SPAC that included Plaintiff, Noble, as one of its largest initial investors, and New York residents, among others, that was in full disclosure of its risk to shareholders, and was successfully completing the steps as disclosed in its business plans to transform itself into a successful operating company in the asset management and insurance business.

224. Defendants and their co-conspirators intentionally de-railed consummation of the share-for-share transactions for their own financial benefit as short sellers of the stock and, in so

doing, caused Noble and the Company's other long investors to lose hundreds of millions of dollars.

V. DEFENDANTS' AND THEIR CO-CONSPIRATORS' SHORT AND DISTORT SCHEME

225. In or around the last two quarters of 2010, Defendants and their co-conspirators devised a scheme whereby they would amass large short positions in the Company's stock and then spread false and defamatory information concerning the Company in order to cause the price of the Company's stock to drop and thus their short positions in the Company's stock to earn them substantial profits.

226. The scheme was a classic "Short and Distort" stock scam, which is also sometimes referred to as a "Reverse Pump and Dump," by which false and defamatory negative information about a company is spread in order to benefit holders of short positions in the company's stock to the detriment of long investors.

227. The scheme had three basic components: (A) the "short" – a pre-meditated illegal short trading strategy by Defendants and their co-conspirators designed to build up a huge short positions in the securities of the Company; (B) the "distort" - driving down the Company's share price through publication of false and defamatory information concerning the Company; and (C) closing out their short positions after the Company's share price had been driven down, by both the publication and distribution of the false and information and the effect of the huge short positions taken out by Defendants' and their co-conspirators.

A. Defendants And Their Co-Conspirators Create Massive Short Positions In Stock In Advance Of Release Of False And Defamatory Information Concerning Company

228. Arguably the most critical—and financially risky—component of the scheme was the amassing of huge short positions in the Company's stock. This component was arguably most critical, because without a large short position in the Company's stock, Defendants and their co-conspirators would earn nothing from the depressing effect on the Company's share price caused by their spreading of false and defamatory information. It is also the most risky, because once they had amassed the large short positions if the Company's share

price did not drop Defendants and their co-conspirators would have been forced to cover their short positions with shares that cost more than the price at which they short sold them.

229. Defendants admit in the Dalrymple GFC Report to having taken short positions against the company's stock:

> Position
>
> Dalrymple Finance and/or its principals have a short position in Gerova Financial. Dalrymple Finance and its principals may change its position and is under no obligation to update our research and/or issue a note with a change of opinion.

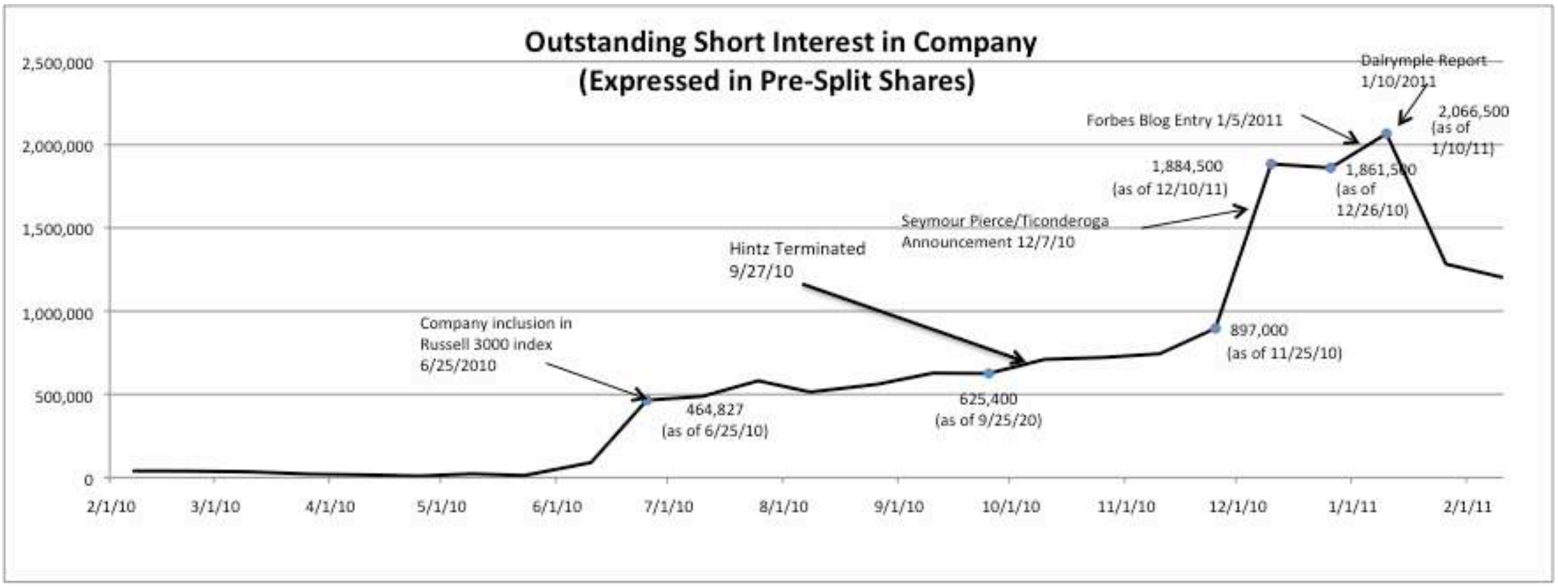
230. In a recently filed sworn declaration, Defendant Keith Dalrymple went further and admitted that beginning in approximately May 2010, he began short selling Gerova stock for the benefit of his own account, that of his co-Defendant Victoria Dalrymple, and at least one "client" of Dalrymple Finance.

231. Of course, admitting that you have participated in an illegal scheme does not insulate you from the liability for such participation.

232. As discussed herein, the Company's announcement that of the Seymour Pierce and Ticonderoga transactions, on <u>December 7, 2010,</u> forced Defendants and their co-conspirators to accelerate this component of the scheme. As Defendants and their co-conspirators well-understood, the Seymour Pierce and Ticonderoga transactions were likely to cause the Company's share price to rise, which would have benefited Noble and other long investors in the Company; however, this would also have caused Defendants and their co-conspirators to suffered substantial financial losses on the short positions they had already taken against the company—assuming that they had not, as discussed below, taken those positions "naked," in other words without actually borrowing the shares that they short sold. The Dalrymple GFC report explicitly references these transactions, indicating Defendants' keen awareness of them, along with thinly veiled indications of Defendants' strong desire that these transactions not come to fruition.

233. The data show that the short interest reported in the Company's stock initially jumping after the Company's inclusion in the Russell 3000 and release of the June 2010 20-F and June 2010 Amended 20-F, beginning a steady rise after that with an increase in acceleration

at around the time of Hintz's firing from Net Five, suddenly more than doubling at or around the time that the Company announced the Ticonderoga and Seymour Pierce deals, on December 7, 2010, then peaking at or around the time that the Dalrymple GFC Report was released on January 10, 2011, and then dropping after the Company's share price had begun to descend.



234. It is predictable that there would be an initial jump in shorting levels following the Company's inclusion in the Russell 3000, given, for example, the existence of certain funds that do nothing but take short positions against indexes in order to provide investors a useful hedge against the market, as well as following the release of the Company's June 2010 20-F and June 2010 Amended 20-F, which were replete with negative information. However the steady rise in shorting interest in the Company between the end of June 2010 and the end of November 2010 is anomalous given that the Company's share price was basically steady during the same period, reflects the amassing by Defendants and their co-conspirators of short positions against the Company during the period in advance of their release of false and defamatory information concerning. Indeed it is interesting to note the jump in shorting activity in the period following Hintz's firing from Net Five.

235. The huge jump in shorting activity soon after the announcement of the Ticonderoga and Seymour Pierce deal is inexplicable absent operation of the scheme by

Defendants and their co-conspirators. As one would expect, the Company's stock price went up upon announcement of the deals, reflecting the legitimate market's confidence in the value that the deals would bring to the Company's investors. The simultaneous more than two-fold spike in shorting activity simply does not make sense absent the scheme by Defendants and their co-conspirators. However, in the context of the scheme it makes perfect sense: the announcement of the deals forced Defendants and their co-conspirators to accelerate consummation of their plan so that they could drive down the Company's share price before consummation of the deals was announced and the continued strength of the share price secured.

236. Finally, the reduction in shorting interest after Defendants and their co-conspirators released the false and defamatory information concerning the Company and its share price began to drop also does not make sense in the context of an un-manipulated market. In such a market, one would expect that short interest against the Company would increase as circulation of negative information concerning it increased and its share price fell: simply put, you would expect a pile-on. However, instead, the shorting levels against the Company's stock *decreased* during this period, reflecting the fact that Defendants and their co-conspirators had by this point moved on from the short part of their scheme to the next part, the distort part. In fact, short interest in Gerova stock immediately decreased by 40% during that two-week period immediately following publication of the Dalrymple GFC Report, following a six month period during which the disclosed short interest did not decline once.

237. Further evidencing the desperate scramble by Defendants and their co-conspirators to accelerate the consummation of their short and distort scheme after announcement of the Ticonderoga and Seymour Pierce deals, are the extremely high levels of failures to trade and failures to deliver that occurred in <u>January and February of 2011</u>.

238. A failure to trade or failure to deliver occurs when the person that short sold the stock, at the time of the short sale had not borrowed or otherwise gained rights to the underlying securities they were "selling," stated colloquially the short was "naked." In such a situation, when it comes time for the short "seller" to deliver the security to its "purchaser," the short seller has nothing to deliver, which results in either a failure to deliver or a failure to trade. Naked short selling is an illegal practice pursuant to Regulation SHO, 17 CFR §§ 240.200 *et seq*.

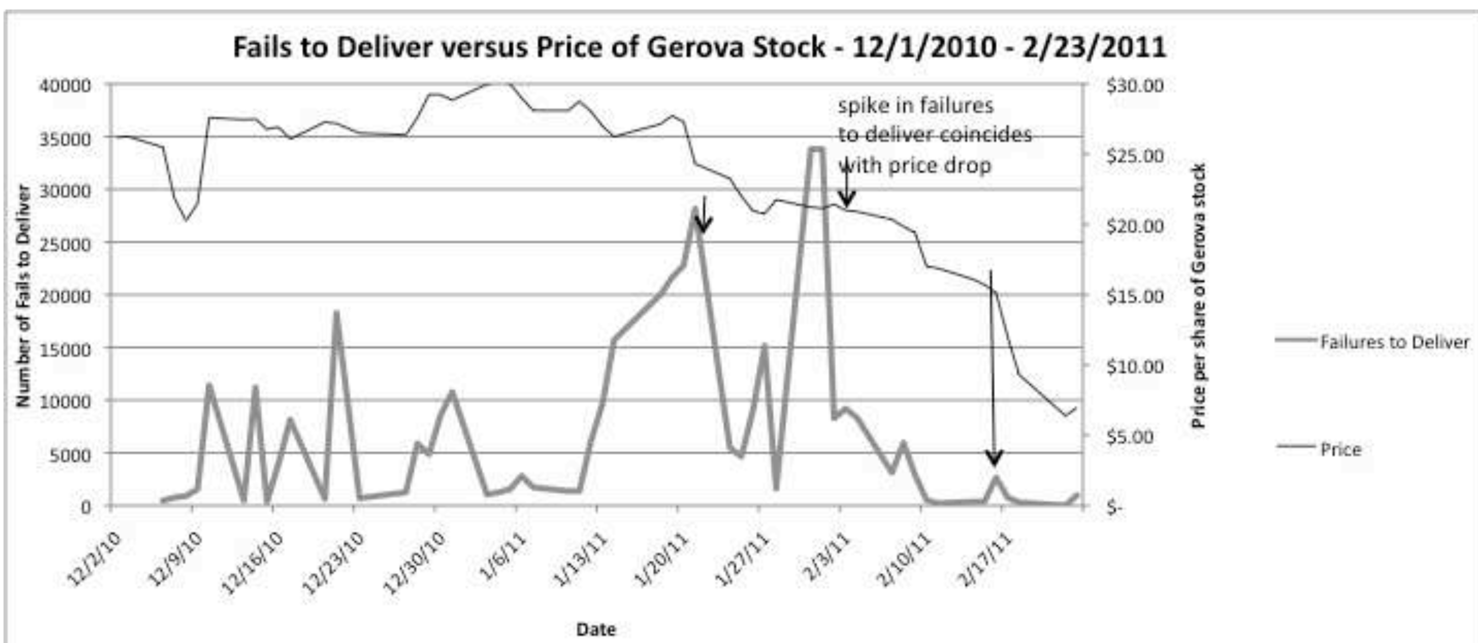
239. Defendant Keith Dalrymple has sworn under oath that none of the short sales of Gerova stock that he entered into for the benefit of himself, Victoria Dalrymple, or any "client" of theirs, were naked. If credited, this statement, along with Mr. Dalrymple's vague references to "clients" of Dalrymple Finance – which does not appear to have any type of license that would entitle it to act buy and sell securities on U.S. exchanges on behalf of third parties – strongly support the allegation that the attack on the share price of the Company stock was executed by a cartel of persons, of which the Dalrymples

240. The large levels of failures to deliver and failures to trade that occurred in <u>January and February of 2011</u> reflect that Defendants and their co-conspirators, when they quickly amassed their short positions in <u>December of 2010</u>, did so in large part nakedly, i.e.

without actually having any rights to the shares they were "selling." Such conduct not only reflects the urgency with which Defendants and co-conspirators sought to amass their short positions in advance of the consummation by the Company of the Ticonderoga and Seymour Pierce deals, it also reflects the manipulative and fraudulent character of Defendants' conduct as a whole. Defendants were short selling shares that they had not borrowed or otherwise gained any rights to; thus, avoiding the risk that their scheme might fail and defrauding the purchasers in these transactions.

241. In addition to insulating Defendants and their co-conspirators from the effects of possible failure of their scheme and from the cost of actually borrowing the Company's stock, the naked short selling by Defendants and their co-conspirators had an additional positive effect for Defendants and their co-conspirators. Failures to deliver create phantom shares in the market - naked positions against non-existing stock - which has a depressing effect on price of a stock.

242. As the chart below shows, this is exactly what occurred here. When large failures to deliver occurred in January and February 2011, the Company's share price experienced steep drops.



243. The creation of the short positions, the timing of the creation of the short positions, the manipulation of the price in the underlying stock, and the timing of the release of

false and defamatory information by Defendants that moved the price of the stock and ultimately destroyed shareholder value appear to be timed too closely together to be coincidental.

244. They were not coincidental, as Defendants have admitted that they shorted the Company's stock in advance their release of false and defamatory information concerning the company. This was the "short" in advance of the "distort."

B. Defendants And Their Co-Conspirators Launch A Coordinated Attack On The Company's Reputation Through The Release And Calculated Spreading Of False And Defamatory Information Concerning The Company

245. At or around the time that Defendants and their co-conspirators were building their short positions against the Company, Defendants were drafting their 19-page Dalrymple GFC Report and devising a plan to ensure that the false and defamatory information they intended to spread would have its intended depressing effect on the Company's share price.

246. In November of 2010, Defendants had released a negative story regarding another SPAC on Dalrymple Finance's section of seekingalpha.com. The story, which was "authored" by Dalrymple Finance, stated at its conclusion that "I have a long standing short position in [the company's stock]."

247. The story apparently did not have the impact Defendants desired. The sophisticated audience on www.seekingalpha.com recognized the story for what its was, a blatant attempt by a short-seller to drive an already weakened stock a bit lower so that the short could earn an additional profit before closing out his "long standing short position." Thus, Dalrymple stated almost plaintively in response to the almost universally derisively and negative comments he received to the story: "Wow, I didn't expect such a reaction . . .. This article was intended as an anatomy of a disaster – I don't know why that isn't obvious." Despite Dalrymple's hope as "long standing short" that his negative story on the company would depress the share price of its stock, the story had no discernible effect on it.

248. Informed by this experience, Defendants and their co-conspirators sought to devise a plan to ensure their misinformation campaign regarding the Company would not result in a similar failure. Most critically, Defendants and their co-conspirators needed to identify a

distribution strategy that would maximize the impact of false and defamatory information on the Company's share price and, thus, increase their illegal profits.

249. What Defendants and their co-conspirators came up with was a two-prong strategy. Rather seeking to distribute all of the false and defamatory information through a single source—as Dalrymple had tried before—Defendants and their co-conspirators would split the information up into two seemingly independent distribution channels. Defendants and their co-conspirators recognized that while readers on the web often distrust information that appears to come from a single source—especially one that appears interested—readers are remarkably willing to believe information on the web if it appeared to come from more than one source, even if it is just two. Furthermore, if the sources appear to have even a veneer of credibility, the echo chamber effect of web-based financial reporting—in which financial bloggers and others with daily quotas to meet will often report on what others are saying rather than come up with something to say independently—can greatly amplify the effect of the false and defamatory information, causing it to republished in multiple places, its credibility increasing each time it is republished. Of course the ultimate success of such a strategy depends, in large part, in securing not just multiple channels of distribution, but channels with sufficient readership and credibility.

250. Of course securing such channels is easier said than done, especially if you are, like Dalrymple, a husband and wife outfit with little more than website and a couple of dozen followers on investor information website on which people must register to read you materials, www.seekingalpha.com. It also doesn't help in this regarding, that the husband, Keith Dalrymple, is a virtual unknown in finance circles whose most recent position at broker-dealer NYGS, where he claims to have been was Director of Research, ended around the same time company's licensing was suspended by FINRA for violations including failures to reveal conflicts of interest in research reports and was shut down.

251. One of the principal ways Defendants overcame these obstacles was by drawing on their connections in Bulgaria.

252. As reported by the New York Times in a lengthy profile of the country from the fall of 2008, "[b]y almost any measure, Bulgaria is considered the most corrupt country in the 27-member European Union." And the 2011 Corruption Index released by Transparency International confirms the persistence of that dubious honor for Bulgaria. As a member of Bulgaria's Parliament and former counterintelligence officer put it to the New York Times, "Other countries have the mafia. In Bulgaria, the mafia has the country." A separate recent report stated that "[i]n Bulgaria OC [("organized crime")] groups exert strong control over the territory through private security groups which operate in all economic sectors," and rated the seriousness of extortion racketeering activity in the country "high." The New York Times, citing a report from the Center for the Study of Democracy, stated that "[t]he core of Bulgaria's gray economy . . . are loops of politically connected business groups, [which] form around disparate companies that go in and out of business as opportunities and legal obstacles arise." The New York Times article further noted that a substantial role in Bulgaria's organized crime networks is played by alumni of the former Soviet regime and that since Bulgaria's admission into the EU, white collar criminals in the country have been accused of stealing tens of millions of dollars in EU aid directed to the company.

253. On December 8, 2011, Robert S. Mueller III, the Director the Federal Bureau of Investigation (the "FBI"), traveled to Bulgaria to meet with Bulgarian Prime Minister Boyko Borissov. According the FBI press release found at fbi.gov, "the meetings with the Director focused on joint operations and cooperation in the realms of terrorism, cyber crime, organized crime, and public corruption. Much of the talks were devoted specifically to the rise of Internet crime and the importance of these cases."

254. Victoria Dalrymple is a Bulgarian native and attended graduate school there. Both Dalrymples and their company appear very active in Bulgaria. Their company, Dalrymple Finance lists among the three categories of clients that they serve, clients "based in Eastern Europe," to whom Defendants offer "comprehensive alternate asset advisory services." Keith Dalrymple's LinkedIn profile lists his location as Bulgaria, in July of 2011, he was part of a panel that chose Bulgaria's greenest business, and both he and Victoria appear frequently in

Bulgaria publications giving advice to Bulgaria's tiny wealthy elite about how to secure the money they have attained. Victoria Dalrymple is a member of the Bulgaria CEO club as well as a member of the EU-Funded Programs Bulgaria groups, the purpose of which is "[t]o promote and facilitate the process of obtaining financing from the European Union." The server for www.dalrymplefinance.com is located in Sofia, Bulgaria.

255. Through their Bulgaria connections, the Dalrymples were able to enlist Daniel Ivandjiiski. Like Victoria Dalrymple, Ivandjiiski is Bulgarian, and like Keith Dalrymple Ivandjiiski is connected with charges of wrong-doings while registered at a FINRA regulated broker-dealer, which in the case of Ivandjiiski was insider trading for which he received a lifetime bar from the securities industry. Ivandjiiski, like Dalrymple, is also a registered commentator on www.seekingalpha.com, and his website, zerohedge.com, serves mainly as a portal for people to anonymously distribute derogatory information concerning public companies, including to persons who are residence of the State of New York. Zerohedge.com is registered to the same P.O. Box in Sofia Bulgaria as that listed as the mailing address for Daniel Ivandjiiski's father Krassimir Ivandjiiski, who during the Soviet era was member of the Bulgarian Ministry of Foreign Trade, the head of several "Head Offices" of the Bulgarian government in various foreign countries, and was a "special envoy" and "journalist" in numerous war-torn countries during the Soviet era. Krassimir now offers his serves as a *fixer* for foreign business operating in Bulgaria, touting the close connections and access he has throughout political and business circles of the country.

256. While zerohedge.com has been the subject of harsh criticism for its practice of anonymously spreading dirt concerning public companies and individuals, the site gets substantial traffic and gained a measure of credibility regarding stories concerning Goldman Sachs that it broke in 2009, about which Dalrymple wrote a flattering article on seekingalpha.com the day after its publication. Thus, the site presented Defendants and their co-conspirators a useful channel for distribution of their false and defamatory information concerning the Company.

257. However, Defendants and their co-conspirators recognized that, notwithstanding the reach of the website and the credibility that it had in the eyes of some, if the information was released only there, there was still a substantial risk that it would be disregarded for what it was, the self-interested mudslinging of an obscure "analyst" with an admitted financial interest in depressing the value of the Company's stock. Thus, Defendants and their co-conspirators came up with what was probably the most critical component of their plan: rather than include all of the false and defamatory information they planned to spread concerning the Company in the Dalrymple GFC Report, they would have Hintz *leak* portions of it in advance to Neil Weinberg, a blogger on Forbes.com, who refers to himself as an "Investor Advocate" and who, according to his profile on Forbes.com, fancies himself known for "Wall Street muckraking and TV talking headism." If they could get Weinberg to publish the information, they would then have a seemingly unrelated person contact Weinberg after the publication and *tip him off* concerning the imminent release of the Dalrymple GFC Report and offer him the ability to write about the story first after its release on zerohedge.com.

258. The plan worked perfectly. Weinberg bought the stories told to him by Hintz hook-line-and-sinker, and apparently either did not bother to look-up the background of his "anonymous tipster," to test his credibility, or did and decided to publishes his lies anyway. And when a newly registered Forbes.com user jasonpiccin contacted Weinberg, after leaving a couple comments in Weinberg's support, to let him know about the Dalrymple GFC Report and offer him the exclusive, Weinberg jumped at the chance.

1. Defendants And Co-Conspirators Feeds False And Defamatory Information To Forbes Preparing The Ground For Release Of Report And Arranging With Blogger For His Immediate Publication Of Report After Its Release

259. On January 5, 2010, Weinberg, published a blog entry on Forbes.com ("Forbes Blog 1/5/11 Entry"), which was distributed to and directed at persons throughout the country including residents of New York, containing numerous falsehoods, half-truths, and misinformation, which Weinberg conceded in the entry, were based mainly on allegations of "sinister forces at play" spread by "an anonymous tipster" and "stock message boards."

260. An examination of the Forbes Blog 1/5/11 Entry reveals that it is based on previously disclosed public information that has been filtered through a perspective that bears more than a striking resemblance to the allegations which Hintz previously distributed through his public suits, police reports, conversations with others, and extortionary demands upon Net Five and the Company, as described above.

261. Notably, Hintz used the Internet, fictitious names, including over two dozen Internet chat board "handles" with hidden anonymous identities, together with the media, directed, in part, to readers, users, other internet bloggers and posters, including residents of the State of New York to spread false and defamatory statements about Gerova generally.

262. Hintz has admitted, in conversation and admissions to colleagues, to his participation in the scheme as described herein.

263. As enumerated in detail below, numerous portions of the Forbes Blog 1/5/11 Entry were false and/or defamatory and the impact of its publication was far reaching.

264. As another financial blogger put it in commentary regarding the scheme described herein, "Forbes is so powerful online with such a big distribution impact that every time investors visited Yahoo Finance and typed in Gerova's GFC or Fund.com's FNDM.PK symbols up popped the Forbes headline: "NYSE's GEROVA Financial Ties to Westmoore Ponzi Scammers."

265. This was precisely what Defendants and their co-conspirators needed in advance of their release of the Dalrymple GFC Report.

2. Forbes Blog 1/5/11 Entry Was False And Defamatory In Multitude Of Ways

a. Blog Entry Falsely And Defamatorily Characterizes The Company As Nontransparent Concerning Its Financial Condition

266. In a theme that was consistent in the false and defamatory information that Defendants and their co-conspirators spread regarding the Company—and which was consistently wrong—Weinberg's blog entry falsely and defamatory characterized the Company as being nontransparent concerning its financial condition.

267. Suggesting that the Company had concealed its financial condition from investors, the blog entry stated that the company "hasn't issued a financial statement since December 2009 (the Securities and Exchange Commission permits foreign issuer to disclose such data only annually, although the NYSE encourages them to do so more frequently)."

268. As is discussed above and which is immediately apparent upon even a cursory reading of the June 2010 20-F and June 2010 Amended 20-F, while the Company was only required by SEC rules to present financial information as of December 31, 2009 in its June 2010 20-F, the Company, in fact, filled the filing with page after page of details concerning the events of the previous five months and the effects that such events had on its current financial situation and its prospects for the future. Moreover, even a skimming of the Company's SEC filings on EDGAR for the year 2010 reveal a company that made filing after filing in order to assure that investors were informed concerning its operation.

269. How Weinberg could have missed this if he had actually reviewed the Company's SEC filings is hard to imagine, especially given Weinberg's level of experience in financial reporting. Thus, granting Weinberg the benefit of the doubt hopefully deserving of someone reporting for one of the nation's most prominent financial media companies, it has to be concluded that Weinberg did not actually review the Company's filings but instead relied on descriptions there of provided by his "anonymous source," i.e. Hintz.

270. Suggesting that Weinberg perhaps does not deserve the benefit of the doubt is the fact that the Forbes Blog 1/15/11 entry actually quotes from the Risk Factors section of the Company's June 2010 Amended 20-F, in which numerous gratuitous disclosures were made by the company concerning events that had occurred after December 2009. Specifically, the entry states, quoting from page nine of the Company's June 2010 Amended 20-F: "In fact 'a substantial majority of the [Stillwater] real estate loans were experiencing interest payment delinquencies of 90 days or more,' according to Gerova's 2009 annual report." Literally the next paragraph contains the following line: "***Since December 2009***, over 50% of the original face amount of [certain life insurance policies that the Company acquired as part of the Stillwater Acquisition] has lapsed." (emphasis added)

271. Either Weinberg was so negligent in his reading of the Amended 20-F that he missed this and numerous other disclosures that conflicted with his characterization of the company as not having provided any information concerning its financial condition after 2009, or he willfully ignored them.

b. <u>Blog Entry Repeats Hintz's False Theories Of Secret Machinations Behind The Scenes At The Company</u>

272. As discussed herein, in the course of Hintz's efforts to extricate himself from the consequences of his guilty plea to federal bank fraud charges, Hintz has testified to outlandish criminal conspiracies involving the judges hearing his case and his attorneys, going so far as to accuse federal judges of plotting to murder his children.

273. The same kinds of paranoid delusions affect allegations that Hintz has made concerning the Company and those involved in it, in both his abandoned RICO suit and series of wild police reports he filed in March and April of 2011 around the time of his ordered house arrest.

274. Weinberg's blog entry uncritically repeated Hintz's paranoid "storyline" that "sinister forces [were] at play" in behind the scenes at the Company and "that Gerova and dozens of satellite companies are being manipulated as part of a bid to pump up share prices and dump them on unsuspecting investors—many of whom are effectively required to own Gerova because of its inclusion in the Russell 2000 and 3000 value indexes." The entry is further peppered with inflammatory, but wholly unsupported, references to the company as "this complex fraud" and "the Gerova scam."

275. Again, if Weinberg had taken the time to actually read the Company's numerous filings made in the previous 12 months, he would have realized that his "tipster's" pump and dump conspiracy theories had no connection with reality. How, for example, the Company can be accused of "pump[ing] up share prices," when it went out of its way to include in its June 2010 20-F, ***almost three weeks in advance of announcement of its inclusion in the Russell 3000 and over three weeks ahead of its deadline for making the filing***, page after page of gratuitous warnings concerning its financial condition and future prospects.

276. Furthermore, if Weinberg had looked at the trading range of the Company's share price for the previous year, Weinberg would have seen that, with the exception for a short period of time immediately before and after the Company's inclusion in the Russell 3000, the Company's shares had traded in a very narrow range with little volatility for nearly the entire 2010 calendar year. This is the opposite what one sees in the context of a pump and dump scheme.

277. The storyline, however, was exactly what Defendants and their co-conspirators wanted out there when they released the Dalrymple GFC Report less than a week later, and Weinberg bit and published the story either without checking his facts or disregarding them.

278. Thus, the blog entry after repeating the false, defamatory, and illogical storyline crafted by Defendants and their co-conspirators that the Company was an elaborate pump and dump scheme and "complex fraud", provided no actual discussion of any evidence suggesting the operation of such a scheme or fraud but rather just repeats Hintz's paranoid ramblings regarding Jason Galanis and Robert Willison each of whom worked for the Company's affiliates and both of whom Hintz includes, along with several sitting federal judges, in the group of persons that have allegedly plotted to do him severe bodily harm.

279. For example, without actually pointing to anything nefarious allegedly done by him in association with the Company, the entry made much of the fact that Mr. Galanis was employed by an affiliate of the Company, Gerova Advisors LLC, and in that capacity had been working to negotiate deals on behalf of the Company.

280. In the absence of any allegation that Mr. Galanis had ever done anything improper in that capacity, the blog entry sought to create the impression that his involvement with the Company was in-and-of-itself improper by mischaracterizing events from Mr. Galanis' past and seeking to dirty his reputation by reference to incidents in which his family members were involved, but he was not.

281. For example, before being forced by his own Forbes editorial counsel after being confronted by Mr. Galanis' attorneys to correct the entry, he called Mr. Galanis a "convicted fraudster" in reference to a civil matter brought by the SEC against Galanis several years before,

alleging Galanis invested $1.0 million in a wholly unrelated public company and aided that company in recognizing the $1.0 million payment earlier than GAAP recognition provided. As Weinberg was forced to admit in his correction, the action was civil and resulted in a settlement in which Mr. Galanis neither admitted nor denied any wrong-doing. Therefore the statement that Galanis is a "convicted fraudster," is without basis and was false and defamatory.

282. However, again, the entry was not able to point to anywhere in the documentary record, or, in fact, any evidence at all, that Mr. Galanis' involvement in the Company had caused it or its investors any harm. In fact, the only "*evidence*" to which the entry was able to point in order to impute wrongdoing to the Company based on it's association with Mr. Galanis, was that purportedly the share prices of some unidentified unrelated business ventures in which Mr. Galanis had been involved in the past had experienced volatility and the Company's stock had also been "extremely volatile of late."

283. Setting aside the fact that many stocks were experiencing substantial levels of volatility in late 2010 and that, in fact, the Company's stock over the last 12 months had not been particularly volatile, and volatility in the Company's stock price during the end of 2010 was likely due mainly to the prior short selling manipulations by Defendants and their co-conspirators, as described herein. As point of fact, the volatility in Company's stock price increased substantially in the wake of the Forbes Blog 1/5/11 Entry as a result of further manipulation by Defendants and their co-conspirators.

284. The only other *evidence* that Forbes Blog 1/5/11 Entry presents to support its inflammatory and false statements that the Company was a "complex fraud" and "scam" are alleged connections between certain persons associated with, but who were neither officers or directors of, the Company who were was once associated with an entity called "Westmoore Capital," to which Weinberg refers as a Ponzi scheme.[4]

[4] As point of fact, Westmoore Capital was sued by the SEC alleging fraudulent private placement disclosures and other securities violations. The litigation was settled in 2011, without the defendant admitting or denying the allegations

285. The sum total of these connections are that: (1) Robert Willison, a small minority non-voting owner in joint venture with the Company, Net Five, had once been employed as a consultant by Westmoore Capital; (2) an unaffiliated company associated with Mr. Galanis had accepted an investment of $500,000 from Westmoore Capital; and (3) that the Company agreed to acquire a company in which Westmoore was an investor. Though not mentioned in the Forbes Blog 1/5/11 Entry but disclosed by the Company's in its filings with the SEC, Gerova ultimately terminated the latter proposed acquisition citing "unresolved due diligence concerns" about the proposed target

286. As to the first supposed *link*, although Willison previously was engaged as a consultant to Westmoore Associates for eight months, he was not involved with any fraud at the Westmoore Capital, and accordingly was not named or otherwise subject to any disciplinary action by any SRO, securities exchange, rule or statute as a result of such employment. Moreover, again, Willison, was not executive of the Company and his only connection with it was tangential. It is, however, relevant to note that Mr. Willison was for years a personal friend and tennis partner of Scott Hintz, both residing in Atlanta, and had introduced him to Net Five for a job opportunity. When Mr. Hintz terminated from Net Five he was livid with Mr. Willison and vowed to get back at his former friend.

287. As to the second supposed *link*, the fact that a company Mr. Galanis is an investor in an unrelated company accepted an investment from Westmoore Capital neither proves nor suggests anything. It would be remarkable proposition that anyone who ever entered into a single transaction with an organization that had later been sanctioned for securities violations was guilty by association. Under such a standard, anyone that had ever done business with Citibank, JPMorgan, Morgan Stanley, Goldman Sachs, really virtually any entity that has operated on Wall St. for any substantial length of time could be deemed a "scamster" or "fraudster." The proposition is simply absurd.

288. The same goes for the third supposed *link*.

289. Nonetheless, this constitutes the sum total of what Weinberg claims was "evidence that Galanis and his alleged Westmoore cronies have moved on to Gerova," and thus

justification for the blog's astoundingly inflammatory and defamatory title: "NYSE-Listed Gerova Financial Has Close Ties To Westmoore Ponzi Scammers."

290. What "close ties"? What "Westmoore Ponzi scammers"?

291. The Forbes Blog 1/5/11 Entry does not present evidence in support of any of these wild claims because none exists.

292. Rather, with apparent reckless disregard for the truth or actual knowledge of its falsity, Weinberg repeated the paranoid delusion of Defendants' co-conspirator Hintz, lending Defendants and their co-conspirators the power and reach of Forbes for execution of their illegal scheme.

293. Why Weinberg would agree to do so is explained by the fact that Forbes Blog 1/5/11 Entry is by far the most viewed of any entry Weinberg has ever published and Weinberg's publication, on January 11, 2011, a story linking to the Dalrymple GFC Report just fourteen minutes after the report was released on zerohedge.com. Defendants and their co-conspirators convinced Weinberg that they had uncovered a big story, about which they'd give him an exclusive if he played along. Hungry for the glory of a big story usually denied to someone in his position as one of dozens of Forbes bloggers, Weinberg closed his eyes to the facts and agreed to participate.

C. Defendants And Their Co-Conspirators Effect A Coordinated Release Of The False And Defamatory Dalrymple GFC Report

294. Having prepared the ground with the Forbes Blog 1/5/11 Entry, the next step in the scheme by Defendants and their co-conspirators was distribution of the Dalrymple GFC Report as widely as possible. Keith Dalrymple has recently sworn under oath that he is the author of th Dalrymple GFC Report.

295. Defendants and their co-conspirators did so by arranging for the almost simultaneous occurrence, on January 11, 2011, of the report's publication on zerohedge.com and publication on Weinberg's blog on Forbes.com of a story about the report, which included a link back to zerohedge.com from which the report could be downloaded. As discussed herein,

no evidence can be found of any other "report" by Dalrymple Finance ever having been publically released neither previously nor afterwards.

296. As discussed herein, Defendants and their co-conspirators were able to secure zerohedge.com as the primary distribution channel for the report through Defendants' Bulgarian connections.

297. Weinberg's blog on Forbes.com was secured as a means to promote the report through the contacts that Hintz and Defendants' other co-conspirator, Jason Piccin, made with Weinberg in connection with Weinberg's publication of the Forbes Blog 1/5/11 Entry, for which Hintz played the role of "anonymous tipster" on whose *information* the entry was largely based.

298. At or around the time of the publication of the Forbes Blog 1/5/11 Entry, Mr. Piccin made the arrangements with Weinberg for his publication of an blog entry concerning the report just moments after the report was released on zerohedge.com. These arrangements included providing Weinberg a copy of the report in advance of its release so as to allow Weinberg the opportunity to draft his entry in advance and have it ready for immediate publication once he was signaled that the report was up on www.zerohedge.com.

299. On or about 11:35 a.m. January 10, 2011, Weinberg was signaled that the report was up on zerohedge.com.

Allegations Of "Shell Game" Fraud Involving Gerova Financial Group (GFC)

Submitted by Tyler Durden on 01/10/2011 11:35 -0400

300. And ***just fourteen minutes later***, at 11:49 a.m. January 10, 2011, a fully formed blog entry by Weinberg on Forbes.com ("Forbes Blog 1/10/11 Entry"), which included a photo of Jason Galanis, a summary of the Dalrymple GFC Report, a selection of quotes from it, and a link anonymously directing readers who wished to download the report to the entry by Tyler Durden, aka Daniel Ivandjiiski, on zerohedge.com, which published less than a quarter hour before.

Neil Weinberg, Forbes Staff

+ Follow

1/10/2011 @ 11:49AM | 4,752 views

Gerova Financial Group An NYSE-listed Shell Game: Report

301. In a transparent attempt to obscure the prior coordination between Weinberg, Defendants and their co-conspirators, the Forbes Blog 1/10/11 Entry, disingenuously stated: "It seems I am not the only close student of Gerova Financial Group to smell something rotten wafting from the company."

302. It is implausible that this serious of events could have happened without their coordination by Defendants and their co-conspirators, and they didn't. They were part of concerted effort by Defendants and their co-conspirators to distribute the false and defamatory information concerning the Company as widely as possible, to persons throughout the country including New York, and ensure that a false veneer of credibility adhered to the report's false and defamatory statements concerning. An effort that was, unfortunately, extremely successful.

303. The details of the false and defamatory character of the statements made in the Dalrymple GFC Report include but are not limited the following.

1. **<u>Dalrymple GFC Report Falsely And Defamatorily Claimed That The Company Was Established By Noble And It Other Initial Investors For The Purpose Of Defrauding Investors For The Benefit Of Noble And Other Insiders</u>**

304. The essential false and defamatory message of the Dalrymple GFC Report was that the Company was a sham from its initiation and was formed by Noble and others as means to defraud the investing public and benefit themselves as insiders.

305. Indeed, the message is clear in the report's title itself: "Gerova Financial Group (GFC): An NYSE-listed Shell Game";

306. Additional false and defamatory statements in this regard contained in the Dalrymple GFC Report include but are not limited to:

- "GFC has many hallmarks of a classic fraud"
- "a key purpose of GFC is is to allow certain parties to swap illiquid and impaired hedge fund assets for GFC shares and other economic benefits"
- "The only beneficiaries of the business model appear to be management and affiliated parties." (The report specifically identifies Noble in two locations as an "affiliated party.")
- "GFC is engaged in fraudulent activity."
- "This stunning story of big-board listed shell game begins with an acquisition by a SPAC (Special Purpose Acquisition Company)"
- "Either GFC is a fairytale come true or something other than what meets the eye is going on."
- "[GFC is] a firm operated for the benefit of insiders and affiliates"
- "a strong pattern of related-party transactions where assets are shuffled to and fro at different valuations"
- "Insiders benefit from audit problems and opacity."
- "Delaying asset appraisals benefits GFC management and insiders in a number of ways."

- "[there] is mounting evidence that GFC is more a smoke screen than an operating company"
- purportedly describing examples at another company of how "fees can be funneled to insiders and related parties" and the stating "[w]e expect to find similar consulting and share arrangements to be present in GFC."
- "Shareholders beware: It is difficult to protect your interests!"
- "GFC is a company of smoke and mirrors."
- "GFC looks like a pink-sheet stock scam writ large."
- "It has a market value of almost $1 billion and an NYSE listing to give the cover of respectability, but we don't believe the story."
- "We have no idea how long the shell game can continue to fool investors as well as the regulatory authorities in Bermuda, the US and if the acquisitions close, the UK. However, at some point we believe that the light of day will shine on GFC's activities and the story will unwind in a spectacular fashion and the stock will collapse. The only question we have is whether or not the insiders will unload their shares prior to fall and laugh all the way to the bank."

307. Lest there be any confusion in the minds of the report's readers whether Noble was include among this group of "insiders" who the report falsely implies were likely to "unload their shares prior to [the Company's] fall and laugh all the way to the bank," the report specifically includes Noble in a table purporting to detail "who is who in the constellation of GFC affiliated companies and people."

308. Noble, of course, did <u>not</u> laugh all the way to the bank when Defendants' scheme achieved its goal of destroying Gerova; rather, it lost millions of dollars when the shares it held as the result of its seed investment of almost $6 million three years before collapsed in value.

309. Noble further suffered very substantial damage to its business reputation as a result of the false statements made concerning it and the Company, in which its involvement as the initial seed investor was well known among potential and present business partners.

310. Such false statements authored and published by Defendants include but are not limited to those in the bulleted list above and those detailed in the sections below.

2. Dalrymple GFC Report Falsely And Defamatorily Claimed To Have "Uncovered" Facts Concerning, For Example, Company's Acquisition Of Illiquid And Impaired Hedge Fund Assets That The Company Had Actually Disclosed In Multiple Filings With The SEC In January And June 2010

311. In the lead line of the Dalrymple GFC Report, Defendants stated: "Gerova Financial Group is nominally a Bermuda-based insurer; although the company compares itself to Berkshire Hathaway, in reality we believe it is a repository for impaired illiquid hedge fund assets, which are used for regulatory capital." Elsewhere on the same page, Defendants stated "[t]he acquired assets were likely impaired and overvalued at purchase; quality has eroded in 2010." Further they stated in this regard, "critical information on asset quality [and] performance has been kept from GFC shareholders." Based on these *discoveries*, the report continues: "We believe GFC is likely fraudulent and the firm's assets, hence the shares [against which Defendants and their co-conspirators had taken massive short positions], worth a fraction of stated value."

312. However as laid out in detail herein, in the January 2010 Proxy, the June 2010 20-F, and the June 2010 Amended 20-F, ***the Company had over and over again disclosed the facts that Defendants claimed were kept from shareholder and which Defendants had now uncovered***: the Company's business plan was to acquire illiquid and impaired hedge fund assets at a discount and use them as regulatory capital, and the Company had, in fact, done just that.

313. For example, the first page of the Company's January 2010 proxy statement after the table of contents prominently discloses its business plan, stating that it intends to enter into transactions with hedge funds facing "acute liquidity issues." The Company further disclosed that it was acquiring "largely illiquid financial assets" from hedge funds that were "constructively insolvent," and "have significant short-term liabilities in the form of client redemptions," and where "investors are applying significant pressure to force hedge fund redemptions." The same proxy makes clear that the assets of the Stillwater Funds and Wimbledon Funds that the Company acquired fell within this category of assets.

314. And the Company's June 2010 20-F and June 2010 Amended 20-F state over and over that the Stillwater Fund and Wimbledon Fund assets it acquired were severely distressed and illiquid.

315. Furthermore, notwithstanding Defendants false claims that the Company "ha[d] not filed financial statements since becoming a public company a year ago[, and] [c]onsequently there is no public information available to shareholders," as discussed herein, the Company's June 2010 20-F and June 2010 Amended 20-F are littered with information about the performance over the preceding five months of the assets that the Company had acquired. These disclosures specifically included what Defendants claimed to have uncovered, that the quality of these assets had eroded during this period.

316. How then Defendants could characterize the Company as "likely fraudulent" on this basis is unfathomable, especially when elsewhere the report references sections from the Company's 20-F demonstrating that Defendants had read the 20-F and so were aware of the falsity of the information they were authoring and publishing. A fraud requires a misrepresentation or active concealment; however, the Company practically shouted from the rooftops the truth about the illiquid and impaired quality of the hedge fund assets it had acquired and its plan to use those assets as regulatory capital for its insurance subsidiaries. Reasonable people could differ about the business judgment of such a plan, but there is no basis to call it fraudulent: it was completely disclosed.

317. However, this is exactly what Defendants did throughout the Dalrymple GFC Report.

318. For example, all of the supposedly nefarious "related-party transactions and affiliations" that Defendants baldly state were "undisclosed," in fact, were fully disclosed in the Companies' voluminous filings made concerning every deal it entered it. Indeed, while Defendants stated that these disclosures had been "carefully edited . . . to give the illusion of arms length transactions," in fact, the report's description of these transactions appear to have been draw from those disclosures which then *Defendants* edited in order to make them appear nefarious.

319. Probably the most brazen example of this sort of doublespeak contained in the Dalrymple GFC Report, however, were its attempts to use disclosures made by the Company of certain types of risks that it and investors in it faced as examples of wrongdoing by the Company. The report quoted at length several different sections of the Company's June 2010 Amended 20-F in which, according to the report, "GFC notes ominously" some negative fact or another. These quotes over and over belie Defendants claim that the Company was hiding the reality of its situation from investors—the Company was graphically disclosing it to them, that's why the statements are so "ominous." Nonetheless, Defendants paradoxically purport to use the negative information contained in these disclosures to support their argument that the Company was misleading its investors concerning its financial condition. That simply makes no sense, and shows these and other statements to be false and defamatory.

3. Dalrymple GFC Report Falsely And Defamatorily Stated That The Company Had Purposely Hid From Shareholders Information Concerning Problems It Was Facing Performing Audits Of Acquired Assets

320. Also completely contrary to all facts was the Dalrymple GFC Report's stated that "a long history of audit problems [concerning the assets the Company had acquired] ha[d] been kept from GFC shareholders."

321. In at least two separate places in the Risk Factors sections of both the June 2010 20-F and the June 2010 Amended 20-F—under the headings "*We may be required to make material adjustments in the value of certain of our assets which could lower our total capital base*" and "*Our failure to obtain the audits of certain of our assets may adversely affect our business and operations*"—the Company conceded that while audits of the acquired assets were supposed to have been already completed, they hadn't been.

322. Furthermore, in virtually all if not all of the Company's press releases that were issued after June 2010, the company specifically included a disclosure that it had not yet completed an audit of the assets it had acquired and completion of that audit, when and if it occurred, could result in a substantial reduction in the value of the Company.

323. There is no basis to Defendants' statement that the Company was not forthright concerning the problems it was having completing the audit of these assets; rather the Company

was very publically and repeatedly made sure anybody listening was aware of such problems and acted accordingly.

4. **<u>Dalrymple GFC Report Falsely And Defamatorily States That The Company Was Intentionally Delaying Release Of Audit Information Concerning Acquired Assets</u>**

324. Paradoxically, in the same breath with which Defendants falsely stated that the Company was hiding problems it was having completing audits of the acquired assets, Defendants claimed that the Company already had audit information concerning the assets that it was intentionally hiding from investors.

325. The Dalrymple GFC Report states, "Material information on the quality and performance of the Stillwater assets has been withheld from GFC shareholders, despite availability."

326. In purported support of this statement, the report offered only the following: "The Matrix Group, a UK asset manager, is a significant investor in Stillwater Matrix Fund, a lot of the assets of which were purchased by GFC. We consider the independent auditor's report to Matrix is a scathing indictment of Stillwater valuation practices and reported NAV. PwC [("PriceWaterhouseCooper")] disclaimed their opinion on Stillwater. We paraphrase their reasoning as follows."

327. However, the opinion by PwC has absolutely nothing to do with any assets acquired by the Company. Rather, the opinion relates to the Stillwater Matrix Fund Offshore, which the Company never acquired from Stillwater.

328. The Stillwater Matrix Fund Offshore was a fund of funds that Stillwater managed in partnership with the Matrix Group in London and was not included in the assets Gerova purchased from Stillwater. Gerova had no interests in the Stillwater Matrix Fund Offshore, directly or indirectly, nor had Gerova acquired any of such Fund's assets of any nature or size.

329. The Company did acquire a Stillwater Fund called "Stillwater Matrix Fund LP (Delaware)"; however, that fund had no relation to the Stillwater Matrix Fund Offshore that was the subject of the PwC opinion or to the Matrix Group.

330. Thus, the Defendants' statement that the Company was in possession of audit information from PwC concerning Stillwater Fund assets the Company had acquired is nonsense.

331. In apparent recognition of this, or simply reflecting Defendants' desire to paint the Company with as broad a negative brush as possible, the Dalrymple GFC Report falsely and Defamatorily "paraphrase[d]" certain comments that PwC made specifically concerning only the Stillwater Matrix Fund Offshore so that they appeared to apply to Stillwater as whole and the Stillwater Funds that Gerova actually acquired.

332. The comments the Dalrymple GFC Report "paraphrases" and attributes to PwC are not statements regarding Stillwater, generally, or the valuation of assets held or acquired by the Company. Instead, the PWC comments refer to the inability of PwC to complete an audit on the Stillwater Matrix Fund Offshore, a fund of funds, due to the lack of audits from independent underlying hedge funds.

333. While arguably these comments relate to an issue that was administrative in nature, relating to the inability of PwC to obtain audited financial statements from underlying certain funds underlying Stillwater Matrix Fund Offshore, it doesn't matter. Whatever the issue was identified by PwC it had <u>nothing to do with the Company</u> and PwC's comments had <u>nothing to do with the valuation process of any of Stillwater Fund assets acquired by the Company</u>.

334. Given this false and misleading basis on which Defendants rested their claim that the Company was intentionally hiding audit information from its investors and the fact that there was intentional delay in asset appraisals under the control of the Company's management, the imagined reasons that Defendants offered up for why the Company would do so a thing are of course false and defamatory without the need of further discussion.

335. However, given the outlandishness of the proposition, it demands at least brief discussion.

336. The report states: "Delaying asset appraisal benefits GFC management and insiders in a number of ways, in our opinion, including: Obfuscate GFC value, Prevent stock sell-off, Use inflated currency, Accrue fees, Asset shuffle."

337. First of all, for domestic "GFC management and insiders" the lack of an asset appraisal prevented them from registering and thus selling their shares in the Company. The idea that they somehow, nonetheless, desired to delay completion of such appraisals in contrary to common sense. As to reasons offered by Defendants why this nonetheless was the cases, none make sense let alone overcome this basic fact.

338. To support their claim that the appraisal were being delayed to obfuscate GFC value, Defendants pointed to the fact that when the appraisals occurred, the market value of the Company could fall. However, the Company never once tried to obfuscate this fact, but rather, as mentioned several times herein, at multiple times in SEC filings in press releases clearly and prominently disclosed this possibility. It makes no sense to argue that the Company was trying to obfuscate this fact at the same time it was continuously and loudly beating the drum about it.

339. Similarly, Defendants claim that the Company wanted to delay the appraisals to prevent a sell-off by its investors holding restricted shares ignores that the Company repeatedly and prominently disclosed that this was likely to occur. It further ignores the fact that, as mentioned above, the persons that supposedly were responsible for delaying the appraisal and resulting registration of shares themselves held unregistered shares that they could not sell until the appraisal occurred.

340. Furthermore, the Dalrymple assertion is false and defamatory to the extent that it alleges insiders would have been benefitted from higher asset values versus lower assets values. In fact, the insiders would material benefit by lower asset values. That is, the lower the asset values, the more shares the sellers of the acquired assets (e.g. investors in the Stillwater Funds) would have been forced to surrender to the Company. This in turn would have increased the percentage of the company owned by insiders, effecting a sort-of reverse dilution of the insiders' shares. By operation of the terms of the applicable agreements and the share ownership

structure, insiders would have been highly motivated to encourage assignment of lower values to the acquired assets, contrary to Dalrymple's false claims.

341. Higher valuations would also not have assisted the company insiders as the number of shares was contractually linked to the independent appraised value to be obtained post closing. If the valuation was lower, the number of shares was lower; therefore, the *book value per share* would not change. Accordingly, on Page 8 of the Company's June 2010 Amended 20-F, it disclosed:

> ***We may be required to make material adjustments in the value of certain of our assets which could lower our total capital base.***
>
> … Although the share adjustment provisions contained in our acquisition agreements entitle us to issue a correspondingly lower number of our Ordinary Shares to the former investors and beneficial owners of the Stillwater Funds ***and our net shareholder equity per share would not be affected***, any reduction to the Estimated Net Asset Values of the Stillwater Funds would result in our company having lower total net assets and a lower total capital base.

342. Other than a period leading up to the Company's inclusion in the Russell 3000 Index, during the course of 2010 the Company's shares traded at a relatively small premium or discount range to book value, which is statistically consistent with other publicly financial services companies and, particularly, reinsurance businesses. The fact is that the price of the company's shares traded in a normal range, and even at an aberrational high in May, the company's shares traded at no more than a few times book value. The Company had no benefit to delay information, and in fact, did not delay information about the assets. Rather, it published the information early, often, and clearly.

343. Defendants' argument that the Company was delaying the appraisal of its assets so as to inflate its share price and thus purchasing power vis-à-vis other target companies, if true (it's not), would actually support an argument that the Company in doing so was acting in a manner that benefited its incumbent investors, including those for whom Defendants disingenuously claim to have such concern. If, in fact, delaying the appraisal allowed the Company get more for less stock that would be a good thing not a bad thing for investors.

344. Finally, in fact, the parties that benefitted the most by "delaying information" were Defendants and their co-conspirators. The time allowed them to set the trap by

establishing a large short position ***before*** they released false and defamatory information concerning the Company. Their plan and the timing of the steps was premeditated and deliberately orchestrated to maximize the manipulation of the Gerova stock price for their financial gain.

5. Dalrymple GFC Report Falsely And Defamatorily Alleges That Gerova Overpaid For Hedge Fund Assets

345. The Dalrymple GFC Report stated: "GFC acquired the hedge fund assets at a price of 65-100% of NAV, with an average discount of approximately 10%. We consider the discount stunningly low…"

346. The Dalrymple GFC Report is false and defamatory in that at the time of the purchase of such assets by Gerova, the net asset values of such assets had previously been marked down, prior the sale to Gerova.

347. The representation by the Dalrymple GFC Report of an "average discount" of 10% for the Gerova hedge fund purchases is false and defamatory.

348. The characterization by the Dalrymple GFC Report of the discount as "stunningly low" is false and defamatory.

349. Specifically, as of December 31, 2009, [shortly before the date of Gerova's acquisition of the Stillwater assets], the Stillwater Market Neutral Fund, one of the hedge funds acquired by Gerova, had been written down over 50% and was subsequently purchased at 75% of that marked down net asset value. Consequently, the purchase price of the Stillwater Market Neutral Fund was acquired at 75% of a 50% existing discount – or at 37.5% of the original net asset value of the fund, a 62.5% discount.

350. The average price for secondary market purchases of hedge funds in December 2010 was 72.81% of NAV, as that figure was set forth in FINalternatives, a leading hedge fund publication.

351. The purchase of the Stillwater hedge fund assets was consistent with market pricing, and the characterization of the discount as "stunningly low" is false and defamatory.

352. Furthermore, as the Company prominently disclosed in its January 2010 Proxy, its June 2010 20-F, its June 2010 Amended 20-F, and even at the bottom of press releases, NAV was subject to the results of the appraisal of the assets. And, in the event that based on such an appraisal the NAV was reduced, the number of shares that the Company would pay the funds original investors in consideration would also be reduced. The Dalrymple GFC Report ignores this inconvenient fact.

a. <u>The Dalrymple GFC Report Falsely And Defamatorily Claims That The Company Overvalued Certain Acquired Assets</u>

353. The Forbes Blog 1/5/11 Entry stated, generally, that Gerova had undervalued certain acquired assets, although it didn't specifically identify such assets. Defendants went one step further and stated in the Dalrymple GFC Report that Gerova overvalued certain assets acquired through its acquisition of the Stillwater Funds.

354. Gerova had, in fact, a year previously prominently disclosed factors and risks regarding the valuation of the assets in question in both its January 2010 Proxy Statement, June 2010 20-F and June 2010 Amended 20-F, filed with the SEC in January and June 2010, respectively, and distributed such information directly to shareholders of Gerova and the investing public, including investors in the State of New York.

355. As described in the excerpt below, which appeared in both the June 2010 20-F (page 8) and the June 2010 Amended 20-F (page 8), certain Stillwater Fund assets were acquired at discounts to Estimated Net Asset Value, and such Estimated Net Asset Values were subject to revisions. Furthermore, the acquisition agreements had certain mechanisms in place, in case the values varied materially from estimated NAV. Furthermore the values were clearly and prominently disclosed as estimates and were never included in financial statements issued by the company.

> ***We may be required to make material adjustments in the value of certain of our assets which could lower our total capital base.***
>
> As part of our January 2010 acquisition of the assets and liabilities of various pooled investment vehicles (the "Stillwater Funds") then managed by Stillwater, the purchase price for those assets was based upon approximately $541.25

> million of estimated net asset values as of December 31, 2009 (the "Estimated Asset Values") which estimates were provided to us by Stillwater [sic]. Such Estimated Asset Values are subject to a post-acquisition adjustment based upon an independent audit [sic] of approximately 90% of those assets. Although the independent audit has not yet been completed, such audit may conclude that the final net asset values of the Stillwater Funds are materially lower than the Estimated Asset Values [sic]. Although the share adjustment provisions contained in our acquisition agreements entitle us to issue a correspondingly lower number of our Ordinary Shares to the former investors and beneficial owners of the Stillwater Funds and our net shareholder equity per share would not be affected, any reduction to the Estimated Net Asset Values of the Stillwater Funds would result in our company having lower total net assets and a lower total capital base.

356. The fact that the agreements provided for a proportional reduction in the number of shares outstanding based on the ultimate appraised value of the assets belies Dalrymple's assertion concerning purportedly overvalued assets: such assets were acquired with 100% stock and such purchase consideration would be reduced if estimates were found to be overvalued. Moreover, as stated, no asset values were ever recorded on the Company's published financial statements, whether "overvalued" , "undervalued," or otherwise.

357. The nature of the assets to be acquired was also clearly disclosed in January 2010, a year prior to release of the Dalrymple GFC Report and again in both the June 2010 20-F and the June 2010 Amended 20-F. Indeed, the very first page of the Company's January 7, 2010 Proxy Statement prominently discloses its business plan, stating that it intends to enter into transactions with hedge funds facing "<u>acute liquidity issues</u>." The Company further disclosed that it was acquiring "<u>largely illiquid financial assets</u>" from hedge funds that were "<u>constructively insolvent</u>," and "<u>have significant short-term liabilities in the form of client redemptions</u>," and where "<u>investors are applying significant pressure to force hedge fund redemptions</u>." It further made clear that both the Stillwater Fund assets and the Wimbledon Fund assets it was acquiring fell in these categories. These disclosures left no ambiguity whatsoever concerning the nature of the assets that Company was acquiring.

358. Furthermore, the statement that these assets were without value is false. Indeed, soon after Georova acquired the assets Comerzbank offered the Company a $45 million line of credit colateralized by $150 million of the assets.

6. **<u>The Dalrymple GFC Report's Claim That The Company Did Not Use Proper GAAP Accounting In The Acquisition Of Certain Acquired Assets Was False and Defamatory.</u>**

359. The Dalrymple GFC Report falsely stated that Gerova did not use proper GAAP reporting and that the Company misreported the net asset values of acquired assets on their financial statements.

360. However, the Company never reported any net asset values on its financial statement, nor was it required to report net asset values of the acquisition.

361. Instead, as required by SEC rules and regulations, the Company properly reported *pro forma* financials of acquired companies in its proxy statement, with the caveats as required to make the statements accurate as to the possible impairment and risk to the assets acquired. The Company disclosed that the net asset values of the acquired assets were Estimated Net Asset Values and subject to post closing confirmation from valuators and independent auditors.

362. The Company's June 2010 Amended 20-F, like the original 20-F, reads, "the purchase price for those assets was based upon approximately $541.25 million of estimated net asset values as of December 31, 2009 (the "Estimated Asset Values") which were provided to us by Stillwater. Such Estimated [sic] Asset Values are subject to a post-acquisition adjustment based upon an independent audit of approximately 90% of those assets."

363. The Company disclosed in SEC and public filings that the values presented for the Stillwater acquired assets were based upon estimated asset values and at no time did the Company represent the estimated values as anything other than estimates, contrary to the Defendants' assertions.

364. Furthermore, as mentioned herein, the Acquisition Agreements pertaining to the asset acquisitions, copies of which were provided to shareholders, the SEC and the public in the form of exhibits to the proxy statement, provide terms which protect the acquirer, and consequently, the shareholders in the event that that the actual final net asset values to be reported in future the Company's financial statements and the estimated net asset value, as stated in the proxy, are not aligned. Among such protective provisions were claw back rights

and rights of rescission as to the transaction itself, and the obligation for Stillwater to obtain third party audits and valuations.

7. **The Dalrymple GFC Report's Characterization of Illiquid Assets As Inherently Nefarious Was False and Defamatory.**

365. The Dalrymple GFC Report characterized the existence of illiquid assets among the acquired assets as being, in-and-of-itself nefarious. It also characterized them as potentially being worthless.

366. The Dalrymple GFC Report's characterization of illiquid assets as worthless is false and defamatory.

367. Illiquid assets are characterized by SEC reporting standards as "level 3" assets which are not regularly traded in the markets, and whose prices must be determined using certain mathematical models that are acknowledged to be estimates.

368. While the Dalrymple GFC Report characterizes illiquid assets as somehow nefarious, illiquid assets are widely held and typical in major pension funds and in financial institutions.

8. **Based On Its Origins As A SPAC, The Dalrymple GFC Report Falsely And Defamatorily Characterized Gerova, As A "Shell Game"**

369. In all relevant filings with the SEC and to shareholders, the Company represented itself as and operated as a SPAC, with the purpose of making "the acquisition of performing but largely illiquid financial assets at discounted and appraised net asset values."

370. Publicly traded SPACs are well known in the securities investment community.

371. Well known publicly traded companies that started as SPACs included Jamba Juice and American Apparel.

372. The statement by the Dalrymple GFC Report that the Company was a "shell game" masquerading as a reinsurer is false and defamatory.

373. The Company was in the process of "de-SPAC-ing" – that is, through execution of its publicly disclosed business and operating plans, transforming itself into an operating company at the time the Defendants and their co-conspirators carried out their scheme to

destroy the Company to the detriment of its shareholders, including residents of the State of New York, as described throughout this Complaint.

374. Defendants' characterization of the Company as being some kind of shell company merely because it was doing exactly what Noble and its other investors expected it to do when they invested in it—identifying and acquiring operating companies—is nonsensical.

9. <u>The Dalrymple GFC Report Falsely And Defamatorily Claimed That The Company Was Not In Compliance With Its SEC Reporting Requirements</u>

375. The Dalrymple GFC Report stated that Gerova exhibited a "Complete lack of financial disclosure. GFC has not filed financial statements since becoming public a year ago. Consequently, there is no publicly available information available to shareholders. We believe this is intentional."

376. However, in fact, the Company, at the time of the Dalrymple GFC Report, and generally during the time of the distribution by the Defendants and their co-conspirators of their false and defamatory information, was in full compliance with all reporting requirements, including those of the exchanges on which its stock was traded. In fact, Defendants quote in the report from sections in the Company's June 2010 Amended 20-F, in which the Company went *beyond* its SEC reporting requirements and gratuitously provided information about events affecting its financial condition that had occurred during the five month since the end of the reporting period to which the filing applied.

377. Furthermore, at the time of the Dalrymple GFC Report, the Company was anticipating filing its financial report for the 12-month period ending December 31, 2010, on or before its deadline in June 2011.

378. There was no basis for the Dalrymple GFC Report's statement that the Company had intentionally exhibited a complete lack of financial disclosure and was not in compliance with its reporting obligation, and such statements were therefore false and defamatory.

10. The Dalrymple GFC Report Falsely And Defamatorily Insinuated Wrongdoing By Company Based On Departure Of CEO Marshall Manley

379. The Dalrymple GFC Report implies a failure to disclose material information with respect to the short tenure of "well-known insurance executive Marshall Manley'[s]" as CEO of the Company.

380. As point of fact, the Company initiated the separation of Mr. Manley from the Company based on shortcomings in Mr. Manley's performance during the investor road shows in the run-up to the January 2010 proxy vote and misrepresentations and materials omissions made by Manley prior to his hiring, which were, in part, first identified in an investigation conducted after his poor performance during the road shows. Thus, the short tenure of Manley was not as Defendants suggested a reflection of something improper occurring at the Company but rather diligent work by the Company's board to protect its shareholders.

381. Furthermore, the characterization by Defendants of Manley's compensation and severance terms as "generous" was without basis. Based on his later discovered misrepresentations and material omissions, Manley had negotiated a favorable employment contract with the Company. In connection with his departure the Company negotiated greatly reduced severance terms paid over several years and was able to retire the substantial amount of stock that Manley had been granted as part of his compensation package.

382. Moreover, while the Dalrymple GFC Report pointed to confidential terms in connection Manley's executive severance in order to suggest the existence of something nefarious, execution of a confidentiality agreement is standard in such situations, especially given the importance of the Company's ongoing strategic plan to the future of the Company. Indeed, not to have required such an agreement from Manley upon his departure would have been contrary to the interests of the Company's shareholders.

383. Finally, it is relevant to note that on page 159 of the January 2010 Proxy the Company specifically warned investors of the risks associated with its status as a start-up company, including risks associated with its inability to "attract and retain personnel with underwriting, actuarial and hedging expertise."

384. The Dalrymple GFC Report is false and defamatory in characterizing the severance agreement and tenure of Manley as nefarious.

11. The Dalrymple GFC Report Mischaracterized Stillwater's Real Estate Assets And Falsely Attempted to Discredit Stillwater By Linking It to Fraudulent Events Where It Was the Victim, Not the Perpetrator

385. The Dalrymple GFC Report stated: "Stillwater has generated some controversy, most visibly related to fraud regarding the origination of its real estate loans in Ohio. There have been several convictions of people involved with the Stillwater loans, though as far as we know no one directly associated with Stillwater has been implicated. … Needless to say, this type of coverage makes us doubt the actual value of the real estate portfolio, which GFC values at $79 million."

386. The Dalrymple GFC Report is defamatory in that it insinuates that Stillwater engaged in fraud in connection with real estate loan origination in Ohio.

387. Stillwater was, in fact, a victim of the fraud to which the Dalrymple GFC Report referred. The wrongdoers with respect to the Ohio real estate transactions were mortgage brokers who tried to defraud Stillwater and eight other lenders and national banks in 2004. The mortgage brokers in such instances were ordered to pay restitution to Stillwater.

388. The valuation of the real estate acquired by Gerova through the Stillwater transactions as of the end of 2009 was based upon independent third-party review. The Dalrymple GFC Report is further false and defamatory in that the Company has never cited a $79 million figure in any of its public filings as a valuation for its real estate portfolio.

12. The Dalrymple GFC Report Falsely Implies That Stillwater Investors Did Not Approve the Acquisition

389. The Dalrymple GFC Report stated: "It is unclear whether the limited partners in the hedge funds consented to the GFC deal."

390. This falsely and Defamatorily implied that the limited partners in the Stillwater Funds (i.e., the "hedge funds," as the Dalrymple GFC Report defines them) did not consent to the acquisition of those assets.

391. Prior to the transaction with Gerova, Stillwater conducted more than 300 calls to investors.

392. In addition, Stillwater obtained written consent for all domestic funds.

393. For Stillwater's offshore funds, although not required by fund documents, Stillwater received feedback from investors that was overwhelmingly positive and in favor of the merger.

394. Subsequently, the Stillwater Funds' independent directors voted unanimously to approve the Stillwater Asset Acquisitions by Gerova.

13. The Dalrymple GFC Report Falsely And Defamatorily Implied That Galanis Was Serving As An Officer And/Or Director of Gerova In Violation Of An SEC Order

395. The Dalrymple GFC Report stated: "Jason Galanis is a director of one of its subsidiaries yet he was barred by the SEC in 2007 for five years from serving as an officer or director of a public company."

396. The Dalrymple GFC Report is false and defamatory as it implies that Galanis' service as a director of Gerova Advisors, LLC, a wholly owned subsidiary of Gerova, was in violation of the rules or regulations of the SEC. While it is a matter of public record that Galanis settled a civil litigation by accepting a five-year bar as acting as an officer and a director of a public company, Gerova Advisors, LLC, is not and was not a public reporting company during his tenure. Consequently, under the terms of the Settlement Order, Galanis is permitted to make a living in his position at Gerova Advisors. He is neither an officer nor a director of Gerova, and his employment with Gerova Advisers is within the scope of activities permitted by the order. Galanis' five-year bar will expires in May of 2012.

14. The Dalrymple GFC Report Was False And Defamatory In Implying That Gerova's Directors And Officers Were Unjustly Compensated

397. The Dalrymple GFC Report stated: "Salaries…directors (other than Manley and Doueck) are paid $150K a year and Mr. Hensley was hired in April for a salary of $400K plus a targeted bonus of 100%. Not bad for a cash-strapped entity."

398. In fact, Directors of the Company were paid only $11,000 per annum.

399. The Dalrymple GFC Report was further false and defamatory with respect to its characterization of Mr. Hensley's salary as excessive. Mr. Hensley earned a comparable salary at Wells Fargo/Wachovia in connection with his responsibilities for the bank's Bermuda reinsurance business, Union Hamilton Reinsurance Ltd. There was nothing excessive or unreasonable in paying him a comparable salary, and it would have been contrary to shareholders' interest had the Company refused to pay what was required to attain competent experienced managers.

400. The Dalrymple GFC Report was false and defamatory in stating that attorney, accountant and advisors fees were in excess of industry custom, and instead, for the benefit of insiders.

401. First of all, the Dalrymple GFC Report was false and defamatory in stating that $23.5 million in *cash* was paid for such services. In fact, $23.5 million was the value in restricted Gerova stock, with Gerova stock being priced at $30.00 per share to non-affiliates, that such persons received. Furthermore, one-third of the total amount paid for services was a fee paid to the investment bankers for transactions related to the formation and offering of the Company, which is a customary fee for such services. The remaining amounts were also paid in restricted shares of Gerova stock for third-party professional services, including $2.0 million in stock for services rendered in connection with multiple transactions consisting of nine simultaneous acquisitions from three sellers in multiple jurisdictions.

15. <u>The Dalrymple GFC Report False And Defamatorily Referred To Noble And Others Associated With Company As Members Of The "Investment Underworld"</u>

402. In its effort to destroy the Company and its share price the Dalrymple GFC Report also included false and defamatory statements directly aimed at Noble and others affiliated with the Company.

403. Examples of these statements included but are not limited those contained in a section of the report entitled "GFC's affiliates reads like a who's who of 'investment world undesirables."

404. The section then begins" GFC management has a history of involvement with some of the darker elements of the 'investment underworld.'" Lest there be any question in the minds of readers whether Defendants intended to convey that Noble was included in the alleged "underworld" the report then states: "GFC Director Arie Jan Van Roon is a partner of both GFC President Gary Hirst and Jason Galanis. He is a partner with Hirst in Noble Investment Fund."

405. The report provides no evidence that Noble has done anything to be termed a member of any alleged "investment underworld." None exist as the statement is false.

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406. The Dalrymple GFC Report, in the myriad ways described above and others, was false and defamatory.

D. <u>Damage Caused Company's Share Price And Planned Transactions By Defendants' Scheme Was Swift And Devastating</u>

407. For various structural and other reasons discussed in the introduction to this Complaint, the Company was particularly vulnerable to a short and distort attack on its stock.

408. Defendants and their co-conspirators, in turn, by strategically employing a coordinated utilization of zerohedge.com and Forbes.com to spread the false and defamatory information about the Company greatly amplified its effect.

409. The consequences of Defendants' publication of the false and defamatory information concerning the Company and its republication, in combination with the effects of the enormous short positions that Defendants and their co-conspirators had amassed in the stock, as well as the persistent negative reporting concerning the Company that followed, caused a devastating and swift drop in the share price of Gerova and evaporation of its previously planned business transactions.[5]

[5] For example, Weinberg continued to take jabs at the company in his Forbes Blog each time linked back to his January 5th and 10th entries and effectively republishing the false and defamatory information there in. And on January 25, 2011, Weinberg published in his Forbes Blog a summary of a non-public SEC document – a demised "Wells Notice" directed to Stillwater Capital Partners – upon which no action had been taken by the SEC. The publication of the document as well as the Forbes Blog summary thereof had the misleading effect of indicating wrong doing on the part of Stillwater Capital Partners directly, and by Gerova, by association, when in reality the SEC had closed the matter without action.

410. Soon after the coordinate attack launched on January 10, 2011 the price of Gerova common stock began to slide.

411. Prior to the publication of the Dalrymple GFC Report and the Forbes Blog 1/5/11 Entry, Gerova stock closed at 28.04 on January 3, 2011.

412. On January 10, 2011, the day of publication of the Dalrymple GFC Report and reference in the Forbes Blog 1/10/11 Entry, Gerova stock began its decline, closing at 27.3, and trading as low as 24.35 during the day.

413. By January 17, 2011, one week after publication of the Forbes Blog 1/10/11 Entry and the Dalrymple GFC Report, the price of the stock had declined by approximately 25%, to 20.96.

414. Over the next few days, confidence in the Company began to crumble as the price of the Company's stock continued its steep decline.

415. On February 10, 2011, the Company publicly announced Keith Harris, the CEO and Chairman of Seymour Pierce, would not be taking the position of Chairman and CEO of Company, and the Company announced other board and management changes.

416. At the market close on February 14, 2011, the stock was at 6.57.

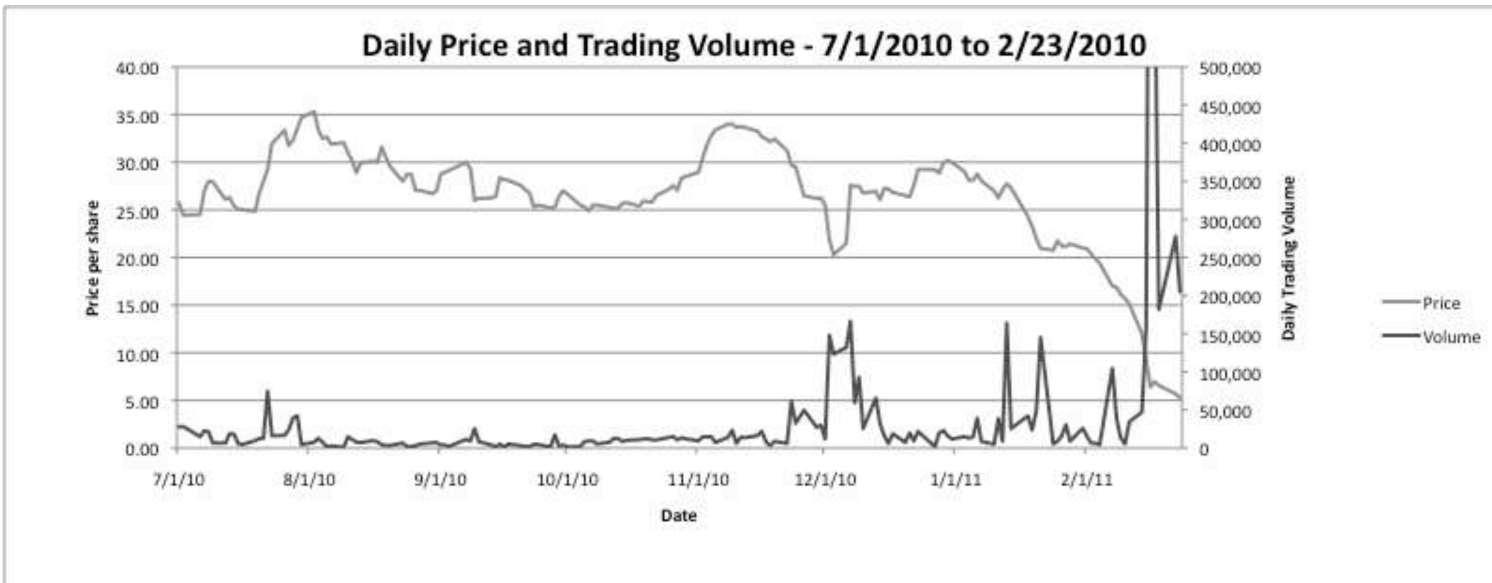
417. On February 23, 2011, the NYSE halted trading in the Company's stock. Not long afterwards the Ticonderoga, Seymour Pierce, and HM Ruby deals fell apart, the stock that the Company had intended to use to pay for the deals have lost most of its value and appearing to be headed even lower. Defendants described all three deals in the Dalrymple GFC Report, demonstrating that they knew of the deals and falsely and defamatorily stated that the stock that Gerova intended to use to purchase the companies was overvalued, demonstrating their specific intent to interfere with the deals' consummation. They succeeded.

418. On May 9, 2011, Gerova filed its Form 25 with the SEC removing its stock from listing on the NYSE.

419. The original shareholders, including Noble and including other investors, including resident in the State of New York, saw a destruction of more than $800 million in shareholder wealth as a result of the Defendants' and their co-conspirators' scheme, in addition

to the opportunities and benefits associated with the Ticonderoga and Seymour Pierce deals that were destroyed by the collapse of the Company's share price.

420. For the short sellers, however, the devastations they had wrought resulted in their receiving huge illegal profits. As the chart below shows, right before trading in the Company's stock was halted by the NYSE, there was a huge spike in volume. This is not explicable by anything other than an effort by Defendants and their co-conspirators to cover the huge short positions they had amassed against the Company's stock.



421. The destruction of Company's reputation and with it, the Company's share price and its ability to exchange its stock for asset acquisitions benefitted only one type of investor – those who had foreseen – or planned – that the stock would decline in value, and had sold short the shares of the Company's stock, such short sellers included prominently among their ranks Defendants and their co-conspirators.

422. For Noble, in particular, the injuries it has suffered as a result of Defendants' and their co-conspirators concerted and wrongful actions include but are not limited to those related to: loss of its entire $5,725,000 initial investment in the Company; loss of the $17 million which its free trading shares were worth in the market prior to initiation of Defendants' and their co-conspirators' scheme; loss of the prospective economic benefits that Noble reasonably anticipated receiving as result of the Ticonderoga and Seymour Pierce deals that Defendants

and their co-conspirators caused to collapse; very substantial harm to Noble's reputation and good will; loss of Noble's time and investment in the Company and relationships stemming from that business; loss of investment capital; and impairment of its reputation and its ability to achieve returns at the rate consistent with its operating history.

VI. FIRST CAUSE OF ACTION

(Defamation)

423. Each and every of the foregoing paragraphs of this Complaint are incorporated by reference as if set forth in full herein.

424. From and including November 2011 through March 2012, Defendants authored and published false and defamatory statements concerning Gerova and Noble, as set forth above, as well as similar false and defamatory statements concerning the Gerova and Noble, in addition to those set forth above.

425. The false and defamatory statements authored and published by Defendants concerning Gerova and Noble, including but not limited to those set forth above, injured the Company and Noble in their respective business reputations.

426. Further, Defendants are responsible for each and every republication of their false and defamatory statements about the Company, including but not limited the republication of the Dalrymple GFC Report on the websites zerohedge.com and Forbes.com.

427. Defendants authored and published these false and defamatory statements without privilege or authorization to numerous persons, including all persons who visited the zerohedge.com and Forbes.com websites and accessed these statements, and to all persons to whom Defendants and their co-conspirators otherwise circulated such statements.

428. Defendants authored and published these false and defamatory statements without sufficient factual bases for making these false and defamatory statements, and indeed intentionally or recklessly.

429. Defendants authored and published these false and defamatory statement for the purpose of executing and assisting the execution of a scheme to injure the Company and Noble and manipulate Gerova's stock price.

430. The false and defamatory statements authored and published by Defendants constituted libel per se with respect to the Company and Noble.

431. The Company and Noble have suffered damages as a result of Defendants' false and defamator statements in amounts to be determined at trial and estimated to be in the millions of dollars.

432. Unless enjoined, Defendants are likely to cause Noble and the Company further harm and thus Noble is entitled to injunctive relief.

VII. SECOND CAUSE OF ACTION

(Trade Libel)

433. Each and every of the foregoing paragraphs of this Complaint are incorporated by reference as if set forth in full herein.

434. As alleged above, Defendants knowingly published false matter that was derogatory to the Company's business and Noble's business and of a kind designed to prevent others from dealing with the Company and that otherwise interfered, to the Company's and Noble's detriment, with the Company's and Noble's relations and business with others.

435. Defendants' publishing of false matter played a substantial and material role in inducing others not to deal with the Company, as demonstrated *inter alia* by the aberrational trading volume and decreases in the value of the Company's stock described above and the frustrations of planned acquisitions by the Company, including but not limited to acquisitions of Seymour Pierce, Ticonderoga and HM Ruby by the Company.

436. Defendants' publishing of false matter played a substantial and material role in inducing others not to deal with Noble, as demonstrated *inter alia* by Noble's inability to enter into to transactions that would have had the opportunity to enter into.

437. Defendants' publishing of false matter caused actual losses to the Company and Noble in an amount to be determined at trial and estimated to be in the hundreds of millions of dollars.

438. Unless enjoined, Defendants are likely to cause Noble and the Company further harm and thus Noble is entitled to injunctive relief.

VIII. <u>THIRD CAUSE OF ACTION</u>

(Tortious Interference with Prospective Economic Advantage)

439. Each and every of the foregoing paragraphs of this Complaint are incorporated by reference as if set forth in full herein.

440. Prior to the assault by Defendants on the Company's share price and reputation through the dishonest, unfair and wrongful means described herein, the Company had initiated previously disclosed planned business acquisitions of several companies, including but not limited to Ticonderoga, Seymour Pierce and HM Ruby, which were in progress towards consummation at the time of Defendants' tortious conduct.

441. Defendants knew of these planned acquisitions and knew that the Company would have realized substantial economic benefits if these acquisitions had been consummated.

442. Defendants engaged in the conduct alleged herein with the intention of preventing the planned acquisitions, including the acquisitions of Ticonderoga, Seymour Pierce and HM Ruby, from being consummated so that the Company would be harmed and the share price of the Company would fall, thus benefiting Defendants as short sellers of the Company's stock.

443. Defendants used dishonest, unfair and wrongful means to interfere with the Company's relationships with these acquisition targets in the manner alleged herein, including but not limited to authoring and publishing false and defamatory information concerning the Company and engaging in naked short selling of the Company's stock in violation of federal securities laws, including but not limited to, Section 10 of the Securities Exchange Act of 1934; Regulation SHO, 17 CFR §§ 240.200 *et seq.*; and Rule 10b-21, 17 CFR 242.10b-21.

444. Defendants' dishonest, unfair and wrongful conduct was a substantial factor in the disruption of the Company's economic relationships with acquisition target companies, including but not limited to Ticonderoga, Seymour Pierce, and HM Ruby, and the Company suffered substantial financial harms as a result in an amount to be determined at trial but which are estimated to be in the hundreds of millions of dollars.

445. Noble was in an economic relationship with the Company, as one of its initial investors and creditors, and the holder of a substantial amount of free trading stock in the Company that immediately prior to the actions by Defendants and their co-conspirators alleged herein was worth approximately $17 million.

446. This economic relationship would have resulted in substantial economic benefit for Noble, including return on its initial investment of $5,750,000 in the Company.

447. Noble's investment in the Company was disclosed in numerous SEC filings and Defendants knew of the relationship and intend to disrupt the relationship. Defendants through their scheme specifically intended to artificially depress the share price of the Company, in which Defendants knew Noble was an original investor and current shareholder, so that Defendants would benefit as short sellers of the Company's stock, and Noble and other long investors in the Company's stock would suffer losses.

448. Noble's economic relationship with the Company was disrupted, and, as a result, Noble suffered harms including but not limited to lost of its entire investment in the Company and the probable returns thereon.

449. Defendants' dishonest, unfair and wrongful conduct was a substantial factor in the disruption of Noble's relationship with the Company, and the Noble suffered substantial financial harms as a result in an amount to be determined at trial but which are estimated to be in the tens of millions of dollars.

450. Unless enjoined, Defendants are likely to cause Noble and the Company further harm and thus Noble is entitled to injunctive relief.

IX. FOURTH CAUSE OF ACTION

(Unlawful Deceptive Acts and Practices under New York Gen. Bus. Law § 349)

451. Each and every of the foregoing paragraphs of this Complaint are incorporated by reference as if set forth in full herein.

452. Defendants' actions as alleged above were manifestly consumer-oriented, broadly directed at and affecting, *inter alia*, the respective readerships of zerohedge.com and

Forbes.com, various financial media outlets, traders of Gerova stock, and traders of stock on both the New York Stock Exchange at large.

453. Defendants' alleged false and defamatory statements were defamatory in a material respect.

454. As a result of Defendants' false and defamatory statements the Company and Noble have suffered damages in an amount to be determined at trial and estimated to be in the hundreds of millions of dollars.

455. Unless enjoined, Defendants are likely to cause Noble and the Company further harm and thus Noble is entitled to injunctive relief.

X. FIFTH CAUSE OF ACTION

(Unjust Enrichment)

456. Each and every of the foregoing paragraphs of this Complaint are incorporated by reference as if set forth in full herein.

457. As a direct and proximate result of the acts alleged herein, Defendants wrongfully deprived the Company and Noble of substantial assets, inflicted significant reputational and economic harm and expense, and were unjustly enriched at the Company's and Noble's expense through Defendants' receipt of profits from their short selling scheme, as described above.

458. Defendants are liable to Noble, directly, and as the assignee of the Company as a result of such unjust enrichment and should be required to disgorge their unjust gains, including their profits from short selling Gerova stock, and to pay over such gains to Noble. Alternatively, such profits should be imposed with a constructive trust and forfeited for such disposition as the Court may direct by further order.

XI. PRAYER FOR RELIEF

Wherefore Plaintiff respectfully requests that this Court enter judgment in its favor against Defendants for:

1. Compensatory damages in an amount to according to proof but in excess of the jurisdictional maximum of the Civil Court;

2. Punitive damages in an amount to be determined at trial;

3. An order requiring Defendants who have participated in any market manipulation scheme to disgorge to Noble all illicit trading profits received by Defendants in connection with such market manipulation scheme, which several hundred million dollare based on the artificial loss in Gerova's market capitalization at various times between November, 2010 and the present.

4. An order imposing a constructive trust on Defendants' aforesaid illicit trading profits and directing that such profits be immediately forfeited for such disposition as the Court may by further order decree.

5. An order requiring Defendants to immediately remove all false and defamatory statements and reports concerning Gerova and/or Noble from the zerohedge.com website, and further requiring Defendants to publish on such website a retraction of their previous such statements for such period as the Court may direct.

6. An order permanently enjoining Defendants from publishing any further false and defamatory reports concerning Gerova and/or Noble.

7. 7. Appropriate preliminary orders preserving and preventing transfer or dissipation of Defendants' assets in order to protect this Court's ability to afford meaningful monetary relief for the unlawful conduct herein alleged.

8. Costs and expenses incurred in connection with this action, including reasonable attorneys' fees to the extent available under any applicable law.

9. Prejudgment and post judgment interest; and

10. Such and further relief as the Court may deem appropriate.

Dated: March 27, 2012

GROSS LAW

/s/ Stuart G. Gross

Stuart G. Gross
(sgross@gross-law.com)
The Embarcadero
Pier 9, Suite 100

San Francisco, CA 94111
T (415) 671-4628
F (415) 480-6688

Benjamin Klein
(bklein@thekleinfirm.com)
THE LAW OFFICES OF BENJAMIN H. KLEIN
61 Broadway Avenue, Suite 2125
New York, New York 10006
T (646) 400-5491
F (646) 368-8401

Attorneys for Plaintiff