

FILED
07-07-2023
Clerk of Circuit Court
Brown County, WI
2023CV000652

STATE OF WISCONSIN : CIRCUIT COURT : BROWN COUNTY

GREAT LAKES TISSUE GROUP, LLC,

Plaintiff,

v.

Case No.: 2023CV652

PATRIOT ADVANCED ENVIRONMENTAL
TECHNOLOGIES, LLC and 4 R PLANET, LLC,

Defendants.

**DEFENDANTS' ANSWER, AFFIRMATIVE DEFENSES, AND COUNTERCLAIMS
TO PLAINTIFF'S COMPLAINT**

Defendants Patriot Advanced Environmental Technologies, LLC, and 4 R Planet, LLC,
by its undersigned counsel, as and for its Answer and Affirmative Defenses Defendants state as
follows:

PARTIES

1. GLTG is a Nevada limited liability company with its principal place of business at
4730 S. Fort Apache Rd., Suite 300, Las Vegas, Nevada 89147.

**ANSWER: Defendants lack sufficient information to form a belief as to the truth of
the first Paragraph 1 and therefor deny the same.**

2. Patriot Advanced Environmental Technologies, LLC ("PAET") is a Wisconsin
limited liability company with its principal place of business located at 500 Fortune Avenue, De
Pere, Wisconsin 54115.

**ANSWER: Deny. PAET affirmatively states that its principle place of business is
in Cheboygan, Michigan.**

3. 4 R Planet, LLC is (“4R”) Wisconsin limited liability company with a principal place of business located at 500 Fortune Avenue, De Pere, Wisconsin 54115.

ANSWER: Deny. PAET affirmatively states that its principle place of business is in Cheboygan, Michigan.

JURISDICTION AND VENUE

4. Jurisdiction over the Defendants is proper according to Wisconsin Statutes section 801.05(1)(c).

ANSWER: Admit.

5. Venue is proper in Brown County according to Wisconsin Statutes section 801.50(2)(b) and (c)

ANSWER: Admit.

CLAIM I

Default Under the Security Agreement and Promissory Note

6. GLTG repeats and re-alleges Paragraphs 1 through 5 as if fully set forth herein.

ANSWER: Defendants re-assert their responses to the allegations in Paragraph 1 through 5 as if fully set forth herein.

7. GLTG is the previous owner of Great Lakes Tissue Company (“GLTC”), which operated a paper mill in Cheboygan, MI.

ANSWER: Admit.

8. GLTG entered into a Merger Agreement dated January 12, 2023 with PAET. Said Agreement involved a 100 percent stock purchase of GLTC. PAET is the current owner of GLTC.

ANSWER: Admit.

9. Pursuant to the Merger Agreement, at the closing of the Merger Agreement, without limitation:

- a. PAET paid GLTG \$1,500,000.00 to obtain an option to purchase a warehouse separately located from GLTC's paper mill.
- b. PAET executed and delivered to GLTG a Promissory Note for \$15,000,000.00.
- c. PAET executed and delivered a Collateral Pledge and Security Agreement granting GLTG a security interest in equipment to secure payment of the \$15,000,000.00 Promissory Note.
- d. GLTG entered into a new PAET Operating Agreement as a member of PAET.
- e. GLTC's stock and the certificate representing that stock was placed in escrow, pending payment to GLTG of the \$15,000,000.00.
- f. PAET agreed to assume ownership and control of GLTC on an as-is, where-is basis without any representations or warranties.

ANSWER: Admit that Paragraph 9 sets forth a basic description of the merger agreement, but state that the meaning, legal enforceability, and effect of such provisions are in dispute.

10. Events of Default have occurred under the Promissory Note because:
- a. PAET has violated terms of the Merger Agreement, which triggers a direct violation of the Promissory Note;

b. Upon information and belief, including based upon notices received from creditors regarding non-payment of amounts due and owing, GLTC is insolvent since the merger, which violates the Promissory Note; and

c. Upon information and belief, PAET has caused GLTC to violate the Lease Agreements for the paper mill and the warehouse, which is a default under the Promissory Note.

ANSWER: Deny.

11. PAET is also in default under the other agreements related to the Merger Agreement, which constitutes a default under the Promissory Note, and about which PAET has had notice for 90 days without cure. Without limitation, PAET has breached the Merger Agreement because:

a. Pursuant to Section 6.14(g) of the PAET Operating Agreement, PAET is required to provide its members with quarterly financial statements, and none have been provided since January 12, 2023;

b. Section 7.3 of the PAET Operating Agreement permits members access to PAET's records upon written request. GLTG made written request for access to PAET's records on January 27, 2023, February 1, 2023, February 17, 2023, and February 21, 2023. PAET has not responded to these written requests and has not provided GLTG with access to any of its records.

ANSWER: Deny.

12. The unpaid amount of the Promissory Note, as of May 24, 2023 is \$15,000,000.00, plus additional interest, and costs of collection, including reasonable attorneys' fees and costs.

ANSWER: Deny.

CLAIM II
Replevin of PAET Collateral

13. GLTG repeats and re-alleges Paragraphs 1 through 12 as if fully set forth herein.

ANSWER: Defendants re-assert their responses to the allegations in Paragraph 1 through 12 as if fully set forth herein.

14. Pursuant to the Security Agreement, Wis. Stats. 409.609, Wis. Stats. 409.610, Wis. Stats. Ch. 810 and other applicable law, GLTG is entitled to take possession of the equipment collateral, dispose of it, and apply the proceeds against the amounts owed to it under the Promissory Note. A list describing some, but not necessarily all, of the equipment is attached as **Exhibit A.**

ANSWER: Deny.

15. PAET, 4R, or some other person(s) or entity(ies) under PAET's, 4R's or one of their officers', members', or other agent's direction or control currently possesses or controls the equipment collateral and should be required to deliver it to GLTG or to such other person as GLTG may direct.

ANSWER: Deny.

16. Upon information and belief, all or some portion of the equipment collateral is being stored at 500 Fortune Avenue, De Pere, Wisconsin 54115, which is the same address as the office location for PAET's Registered Agent, 4 R.

ANSWER: Deny.

CLAIM III **Conversion**

17. GLTG repeats and re-alleges Paragraphs 1 through 16 as if fully set forth herein.

Defendants re-assert their responses to the allegations in Paragraph 1 through 16 as if fully set forth herein.

18. GLTG is entitled to possession of the equipment collateral as a result of its security interest in the equipment collateral and PAET's default.

ANSWER: Deny.

19. PAET is in default of its obligations under the Promissory Note, which are secured by the equipment collateral and, without limitation, Wis. Stat. § 409.609 and Section 2.02 of the Security Agreement entitle GLTG to take possession of the equipment collateral.

ANSWER: Deny.

20. On or about May 10, 2023, GLTG made written demand to PAET and 4R for the turnover and delivery of possession of the equipment collateral and control of it to GLTG.

ANSWER: Admit.

21. PAET and 4R have refused to deliver possession or control of the equipment collateral to GLTG.

ANSWER: Admit.

22. PAET or 4R controls possession of the equipment collateral without GLTG's consent and without lawful authority.

ANSWER: Admit that defendants control possession of equipment but deny that equipment is GLTG's "collateral" and deny that defendant's control is unlawful.

23. PAET's or 4R's actions and non-actions with respect to the equipment collateral seriously interfere with GLTG's right to possess and control the equipment collateral and have thereby damaged GLTG in an amount to be proven at trial, including punitive damages.

ANSWER: Deny.

AFFIRMATIVE DEFENSES

Defendant invokes the following affirmative defenses:

1. Failure to state a claim upon which relief may be granted;
2. Statute of limitations;
3. Fraud;
4. Illegality;
5. Unconscionability;
6. Statute of Frauds;
7. Estoppel; and
8. Unclean hands.

COUNTERCLAIM

Defendant Patriot Advanced Environmental Technologies, LLC by its undersigned counsel, as and for its Counterclaims to Plaintiff's Complaint, and Third-Party Complaint against Third-Party Defendants states as follows:

1. PAET Re-alleges its responses to the Plaintiffs' complaint as if full set forth herein.
2. GLTC operated in a paper mill (the "Mill") located in Cheboygan, Michigan.
3. The Mill currently employs over three dozen workers with plans to expand and hire up to 400 workers within the next few years.
4. In March of 2022, GLTC was sold to GLTG.
5. Kip Boie was and remains the majority member of GLTG.
6. In January of 2023, GLTG sold the stock of GLTC to PAET.

7. Since taking over GLTC, the new ownership group has discovered an elaborate scheme of self-dealing and embezzlement perpetrated against GLTC by Boie and GLTG.

8. After buying GLTC but before selling it to PAET, Boie and GLTG attempted to secretly sell off all of GLTC's assets (including the subject equipment as well as future receivables).

9. To accomplish this, Boie set up two undisclosed bank accounts in the name of GLTC in an apparent effort to keep his fraudulent sales "off the books."

10. Defendants realized several million dollars off the "sales" of GTLC's equipment and future receivables.

11. Boie, through GLTG, then unlawfully transferred, at least hundreds of thousands of dollars to himself individually or to entities own or controlled by Boie or his conspiring business partners.

12. Boie oversaw the transfer of over \$140,000 an entity called "Trout Lake Enterprises, LLC."

13. Upon information and belief, Boie is the sole member of Trout Lake Enterprises, LLC.

14. Trout Lake Enterprises, LLC gave no value to GTLC in return.

15. Boie also transferred at least \$380,000 to an entity named the Rose Star Group, LLC.

16. The Rose Star Group, LLC is an entity own or controlled by the romantic a partner of one of Boie's business partners.

17. Boie and GLTG sold the stock of GLTC to the PAET without disclosing GLTG had "sold" GLTC's equipment and future receivables.

18. Boie then emptied the bank account at Citizen's National Bank on January 13th, 2023, the day all the agreement/closing documents were signed by both Boie and the new ownership group.

19. The check, that depleted the bank account's balance, was written out to his own company, Trout Lake Enterprises, LLC.

20. Boie would not let the new ownership group take possession, let alone step foot in the mill, until the funds from the purchase of GLTC were fully available the following week.

21. Boie did not disclose the self-dealing transactions described above to the disinterested shareholders of GLTC to obtain authority for his purported sales.

22. As a result of Counterclaim Defendants' wrongful and deceitful acts, PAET has been denied the value of its bargain.

23. As a result of Counterclaim Defendants' wrongful and deceitful acts, PAET has lost significant revenue.

24. Counterclaim Defendants' wrongful and deceitful acts have also damaged PAET relationships with customers, financiers, municipalities, and suppliers.

COUNT I: BREACH OF CONTRACT (GLTG)

25. PAET realleges Paragraphs 1-24 as if full set forth herein.

26. GLTG agreed to deliver to PAET GLTC's stock which the parties understood to be a viable paper manufacturing company.

27. The GLTC stock that PAET actually delivered was not as agreed upon.

28. GLTG did not deliver the stock of a viable paper manufacturing company.

29. The company that GLTG delivered to PAET was worth significantly less than the company offered for sale.

30. PAET paid consideration.

31. As a consequence of GLTG's breach, PAET has been damaged in an amount to be determined at trial.

COUNT II: CONVERSION (GLTG)

32. PAET realleges Paragraphs 1-31 as if full set forth herein.

33. GLTG exercised control and dominion over GLTG's assets without permission or lawful justification.

34. GLTG wrongfully exercised control or dominion over another GLTG's property, thereby interfering with PAET's possessory rights.

35. GLTG Defendants has refused to return PAET's property.

36. By wrongfully taking possession and control of PAET's property and refusing to return it, the GLTG has deprived PAET of its use, enjoyment, and rightful ownership.

37. Such actions by the GLTG constitute conversion.

38. As a consequence of GLTG conversions, PAET has been damaged at an amount to be determined at trial.

COUNT III: UNJUST ENRICHMENT

39. PAET repeats and realleges each and every allegation contained in paragraphs 1 through 38.

40. GLTG has been unjustly enriched in that they each received the proceeds of the unauthorized transactions described herein.

41. GLTG acknowledged and appreciated the benefits of the unauthorized transactions.

42. It would be inequitable for GLTG to retain the benefits of its unauthorized transactions.

43. There is no valid legal basis for GLTG to retain the benefits of their unauthorized transactions.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully requests that this court grant the following relief:

1. Award compensatory damages to PAET for the actual losses;
3. Award attorney's fees and costs incurred in bringing this action;
4. Any other relief deemed just and proper by this court.

Dated this 7th day of July, 2023.

By: s/ Timothy M. Hansen

Timothy M. Hansen, SBN 1044430

thansen@hansenreynolds.com

Thomas A. Janczewski SBN 1066346

tjanczewski@hansenreynolds.com

301 N. Broadway, Suite 400

Milwaukee, WI 53202-2660

T: (414) 455-7676

F: (414) 273-8476

Defendants Patriot Advanced

Environmental Technologies, LLC, and 4 R

Planet, LLC