

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

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In the Matter of the Application of  
ACTIVITY KUAFU HUDSON YARDS LLC,  
a New York Limited Liability Company,

Index No.:

Petitioner,

**VERIFIED PETITION**

For the Dissolution of REEDROCK KUAFU  
DEVELOPMENT COMPANY LLC, a Delaware Limited  
Liability Company, pursuant to Section 18-802 of the  
Delaware Limited Liability Company Act,

- against -

REEDROCK KUAFU DEVELOPMENT COMPANY LLC,  
SIRAS PARTNERS LLC and LUDWICK CHINA LLC,

Respondents.

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Petitioner ACTIVITY KUAFU HUDSON YARDS LLC (“Petitioner”), by and through  
its attorneys, Davidoff Hutcher & Citron LLP, as and for its Verified Petition, alleges as follows:

**PRELIMINARY STATEMENT**

1. A business with controlling members unable to agree on its direction, which  
makes it impractical to carry on the affairs of the business, should be dissolved. That is the  
situation this petition presents.

2. This proceeding seeks the dissolution of Respondent REEDROCK KUAFU  
DEVELOPMENT COMPANY LLC (“Reedrock” or “the Company”), a Delaware limited  
liability company, pursuant to Section 18-802 of the Delaware Limited Liability Company Act  
(the “LLCA”).

3. Reedrock is owned by three Members and operated by a board of five Managers; and the Managers may act only upon authorization made by the affirmative vote or consent of 75% of the Managers. The issue at hand is that there is complete and irreconcilable disagreement among the Members and Managers. This is due in part to the fact that respondents Siras Partners LLC and Ludwick China LLC are Members of Reedrock that have repeatedly acted in violation of the Reedrock's operating agreement by taking action without the requisite approval of 75% of the Managers (including signing agreements in the name of a subsidiary of Reedrock). This, and a failure to agree on or reconcile the essential issues more fully described below, make it impossible to continue the business that Reedrock was formed to pursue. As such, the Petitioner is compelled to seek dissolution of Reedrock by the Court.

#### **THE PARTIES**

4. Petitioner ACTIVITY KUAFU HUDSON YARDS LLC is a New York limited liability company with a principal office located at 1500 Broadway, Suite 2202, New York, New York 10036.

5. Respondent SIRAS PARTNERS LLC ("Siras") is a New York limited liability company with a principal office located at 520 West 27<sup>th</sup> Street, Suite 302, New York, New York 10001.

6. Respondent LUDWICK CHINA LLC ("Ludwick") is a New York limited liability company with a principal office located at 31 Sutton Place, New York, New York 10022.

7. Reedrock was formed initially under the name Blackhouse Activity LLC, ("Blackhouse") pursuant to an operating agreement dated November 18, 2013.

8. The parties entered into the Amended and Restated Limited Liability Company Operating Agreement of Reedrock Kuafu Development Company LLC dated June 25, 2014 (hereinafter “the Operating Agreement”), a copy of which is annexed as Exhibit “A” hereto.

9. The Operating Agreement provides that the Company was formed in accordance with the Delaware Limited Liability Company Act (the “LLCA”) and is maintained as such. *See* Exhibit “A” at §2.01. It further provides at §12.04 that it is to be governed and construed in accordance with the laws of the State of Delaware, and at §12.16 that jurisdiction and venue shall lie only with any court located in New York County in the State of New York for matters relating to this [Operating] Agreement. *See* Exhibit “A” at §§12.04 and 12.16.

10. At all times relevant herein, Petitioner has held a 50% member ownership interest in Reedrock.

11. Siras and Ludwick (where relevant herein, at times collectively referred to as “S&L”) have held an aggregated 50% member ownership interest in Reedrock.

12. Petitioner and S&L are the only members and owners of Reedrock.

13. Reedrock derivatively acquired and manages real property and improvements thereon located at 462-470 Eleventh Avenue and 554 West 38<sup>th</sup> Street, New York, New York (the “Property”).

14. The purpose for which Reedrock was formed is to develop the Property into a new high-rise premises including retail space, a luxury hotel, and luxury condominium units. This is an extremely sophisticated project that is anticipated to involve the construction of a high-rise building with an estimated total project sell-out value of \$600,000,000; and to achieve this purpose ongoing effective operational management and financing is required.

15. Technically, although controlled by Reedrock, title to the Property is in the name of Bifrost Land LLC (“Bifrost”), of which Reedrock is the Managing Member.

16. Bifrost has thus far assembled in excess of \$96,000,000 for use in the acquisition and development of the Property through a combination of loans, equity investment in Reedrock and contributions of individual investors described below; and all but \$7,500,000 (invested by Siras and Ludwick) of that amount has come as a result of the financial support and efforts of Petitioner and its investors. In order for Reedrock to complete the planned development of the Property, additional funds in the amount of hundreds of millions will be needed for construction, etc. Pursuant to the terms of the Operating Agreement, Petitioner will be primarily responsible for raising those funds through a combination of further loans and investments.

17. The seriousness of the deadlock by the members and managers of Reedrock is compounded by fiduciary and contract responsibility of Reedrock, as Managing Member of Bifrost, to the lenders and individual minority investors from whom Petitioner has already raised approximately \$20,000,000.

18. Bifrost entered into a loan agreement with UBS Real Estate Securities Inc., (“UBS”) dated June 26, 2014, to borrow approximately \$60,900,000 (\$44,000,000 of which was immediately drawn at closing) to acquire the Property and pay various costs and expenses (the “Loan Agreement”). A copy of the Loan Agreement is annexed as Exhibit “B”.

19. Section 8.2 of the Loan Agreement required satisfaction “the Ludwick Conditions” as more fully defined in the Operating Agreement, as discussed more fully below. *See* Exhibit “B”, p. 82, §8.2. Those conditions reflect collective concern over problematic behavior that occurred prior to the closing of the Loan Agreement by Sean Ludwick, the sole member of Ludwick China LLC, which although prohibited, has unfortunately continued.

**A. Reedrock Problems**

20. The Petitioner, on the one hand, and Siras, on the other, have exercised their respective powers of appointment such that the Company's board of managers consists of five persons, three of whom were appointed by Petitioner, and two of whom were appointed by Siras. As discussed below, Sean Ludwick failed to satisfy the Ludwick conditions, and is permanently precluded from becoming a manager.

21. Petitioner appointed Denis Shan, Shang Dai and Qiling Yuan as managers.

22. Respondents Siras appointed Ashwin Verma and Saif Sumaida (collectively hereinafter referred to as the "Siras designated managers").

23. Article VII, § 7.01, of the Operating Agreement provides, *inter alia*, that "the Company shall act by means of and through the Managers" and "[t]he Managers shall act jointly in all instances and all decisions and/or determinations of the Managers shall require the affirmative vote or consent of at least 75% of all the Managers." *See* Exhibit "A" at p. 9.

24. In addition, the Operating Agreement provides both that ... "[n]o Member, in his capacity as a Member, shall have the authority to bind the company," and that each manager owes a fiduciary duty to all of the Company's members. *See* Exhibit "A", p. 3, §3.01(b).

**B. The Members and Board of Managers are Deadlocked**

25. Company management is vested in the company's board of managers, and the company may be managed only by such board; and it is the board of managers as a whole, and not managers acting individually, who are vested with the power to determine company policy. *See generally* Exhibit "A", at p. 3, §3.01(b) and p. 9, §7.01(b).

26. The members and managers are so divided that it is impossible to obtain the votes required for approval of action by the board of managers, and Reedrock is unable to take

necessary action for development of the Property and any other purpose for which the Company was formed.

27. The continuing dissension among the Petitioner and S&L as members, and the deadlock among the managers designated by Petitioner and Siras, renders management of the Company impossible.

**C. Breaches of the Ludwick Conditions in the Loan Agreement and breaches of the Operating Agreement**

28. Sean Ludwick has a history of legal difficulties and negative publicity.

29. Prior to entry into the Operating Agreement, serious criminal charges were made against Sean Ludwick; and both Mr. Ludwick and Reedrock predecessor entity, Blackhouse, were involved in extensive media coverage that reflected negatively upon the Company.

30. Prior to closing of the Loan Agreement on June 26, 2014, the parties discovered that Sean Ludwick had entered into a Fee Agreement on or about February 10, 2014 on behalf of Bifrost to pay what are deemed to be unreasonable and excessive loan brokerage fees to two individuals, Jordan Roeschlaub and Daniel S. Fromm (hereinafter the "Fee Agreement"), a copy of which is annexed hereto as Exhibit "C".

31. The Petitioner would never have consented to the Fee Agreement in advance of its execution by Ludwick since its terms are unreasonable and the scope is overly broad; and it can potentially have a long-term adverse impact of the financing of this project as well as damage the interests of individual investors in the project to whom Reedrock has a fiduciary responsibility.

32. At the time of closing of the Loan Agreement, Ludwick gave assurances to Petitioner that, after payment of commissions due to the aforementioned loan brokers, there

would be no further obligations of Reedrock under the Fee Agreement and that Ludwick would “take care” of all issues relating thereto.

33. As a result of Mr. Ludwick’s behavior, UBS required that Mr. Ludwick satisfy the so-called Ludwick Conditions as conditions precedent to (and continuing through the loan term for) Mr. Ludwick’s appointment as a Manager of the Company. Pursuant to the terms of the Loan Agreement, as these conditions could not be satisfied, Sean Ludwick has not, and cannot, become a Manager of the Company.

34. Article VII, § 7.02 of the Operating Agreement imposed an obligation to satisfy “the Ludwick Conditions” as defined in exhibit B-4 thereof. The Ludwick conditions include that: ... “(b) [a]ll criminal charges ... against Sean Ludwick have been satisfactorily disposed of ...; (c) [t]he Company ... has received a firm commitment for a construction loan in an amount satisfactory to complete the development of the Property, and such loan is on terms reasonably satisfactory to the Company ...; and (f) [n]one of the events described in Section 7.03(b) have occurred with respect to Sean Ludwick, and Sean Ludwick shall not have taken or sought to have taken any action on behalf of the Company which is reserved to the Managers under this Agreement.” *See* Exhibit “A”, at p. 9-10 and at exhibit B-4 thereof.

35. In part due to Ludwick’s prior action, in addition to the Ludwick Conditions, Section 12.14 of the Operating Agreement was drafted to specifically prohibit members from issuing any press release or otherwise publicizing the financing and development of the Property without the consent of the Managers. *See* Exhibit “A”, p. 20, §12.14.

36. Similarly, Section 7.04(c) of the Operating Agreement specifically prohibits Members and Managers from using the name “Blackhouse” in connection with the Company or the Property. *See* Exhibit “A”, p. 11, §7.04(c).

37. After closing of the Loan Agreement and the Operating Agreement in June 2014, Petitioner became aware that Ludwick issued another press release and media statement identifying himself as a developer of the property and naming Blackhouse as an active participant.

38. The other members and managers of the Company sent Ludwick a notice of those material breaches of the Operating Agreement by letter dated July 16, 2014 (hereinafter “the July 16<sup>th</sup> letter”), a copy of which is annexed hereto as Exhibit “D”.

39. Continuing from September 2014, after having been notified of his previous material breaches just a few months earlier, Mr. Ludwick has continued to issue press releases and/or media interviews naming Ludwick and Blackhouse as managers and co-developers of the Property, all of which has continued to negatively affect the Company.

**D. Most Recent Breaches of the Operating Agreement**

40. In or about late January of 2015, the Petitioner discovered that Siras entered into an Exclusive Sales Agreement, dated September 8, 2014, on behalf of Bifrost granting an exclusive right to Urban Compass, Inc. to sell Hotel and Residential Units that will ultimately be developed at the Property (hereinafter the “Exclusive Sales Agreement”), a copy of which is annexed hereto as Exhibit “E”.

41. Despite the Operating Agreement requirement of approval by 75% of the Reedrock managers, the Exclusive Sales Agreement was not approved by Bifrost or Reedrock.

42. Although the Exclusive Sales Agreement may appear to be reasonable on its face, the Petitioner and Reedrock did not, and would never have consented, to such a contract; and neither did Siras nor Reedrock manager Ashwin Verma disclose the existence of the Exclusive Sales Agreement prior their unauthorized execution thereof.



43. Prior to the execution of the Operating Agreement, it was understood by all of the members Reedrock that Petitioner would sell the Residential Units to be developed to Chinese investors located in China; in fact, under the Operating Agreement, Petitioner will be primarily responsible for raising equity capital which the members also understood will be generating income from the sale of such residential units. As such, it was unreasonable for Siras to have entered into any such exclusive sales agreement for the sale of units at the Property.

44. Certainly, at the very least (particularly because the members had previously faced similar problems when Sean Ludwick entered into a similar agreement) these issues had to be discussed at any meeting of the Company's managers if the Exclusive Sales Agreement had been properly presented by Siras. Siras' entry into that arrangement without approval was an end-run around the Petitioner.

45. Irrespective of the reason Siras and Ashwin Verma entered into the Exclusive Sales Agreement, Siras breached the Operating Agreement, and Ashwin Verma breached his fiduciary obligations to the members of Reedrock.

46. Petitioner sent a letter to Ashwin Verma at Siras, dated February 3, 2015 ("The February 3, 2015 Letter"), noticing Siras' and Ashwin Verma's breaches, as well as the fact that the Exclusive Sales Agreement caused Reedrock to be in breach of the Loan Agreement. A copy of The February 3, 2015 Letter is annexed as Exhibit "F," which required UBS' approval before such an agreement was executed.

47. In addition, the unauthorized entry in the Exclusive Sales Agreement by Siras not only caused a breach of the Operating Agreement, but may also have caused Reedrock to be in breach of its fiduciary obligation to the afore-mentioned individual investors.

48. Regardless, the aforementioned unauthorized third-party agreements may cause extensive irreparable harm to Reedrock involving many millions of dollars, and may otherwise cripple the Company's development project.

**AS AND FOR A FIRST CAUSE OF ACTION**  
**(DISSOLUTION)**

49. Petitioner repeats and realleges the allegations contained in paragraphs "1" through "48" of the Verified Petition as if set forth in detail herein.

50. Petitioner and Siras, and their respective designees to the board of managers, are so divided respecting the management of Reedrock affairs that votes required for action by the board of managers cannot be obtained.

51. At least 75% of the managers designated by both Petitioner and Siras must be present at meetings of the board of managers to constitute a quorum. *See* Exhibit A, p.3, §3.03.

52. For Reedrock to transact business in accordance with the Operating Agreement, material action must be approved by the affirmative vote or consent of at least 75% of its managers. *See* Exhibit A, p.9, §7.01.

53. Siras and its designated managers continue to act on behalf of Reedrock in breach of the Operating Agreement and in violation of the Loan Agreement without requisite authorization; and all such acts are unsanctioned and unlawful.

54. Dissolution of Reedrock would be non-injurious to the public and would be beneficial to the members.

55. Petitioner and Siras are so divided that the votes required for the removal of any Reedrock manager, or the election of new managers, cannot be obtained. Indeed, the Reedrock

members cannot operate by quorum at any meeting; and the managers cannot achieve a plurality such that the Company is effectively unable to conduct further business.

56. As a result, Reedrock is without a functional board of managers and the purpose for which it was formed has been frustrated.

57. The dissension between Petitioner and S&L has caused such division that Reedrock's dissolution would benefit all members, and the managers are unable to agree on operations and management such that there is no hope of reconciliation.

58. A continuation of Reedrock will result in further deadlock and dissipation of the Company's assets caused by past and continuing breaches of contract by S&L and continuing breaches of fiduciary responsibility to the members by the Siras designated managers as well as the individual investors.

59. Accordingly, for the foregoing reasons, Reedrock should be dissolved in accordance with Delaware LLCA § 18-802.

**AS AND FOR A SECOND CAUSE OF ACTION**  
**(APPOINTMENT OF A RECEIVER)**

60. Petitioner repeats and realleges the allegations contained in paragraphs "1" through "59" of the Verified Petition as if set forth in detail herein.

61. Both Delaware law, as well as the Operating Agreement, indicate that a fiduciary duty is owed by the Company's managers to its members.

62. The Siras designated managers have failed to adequately perform their duties in the management of Reedrock operations, have wrongfully encumbered the Company's property and breached their fiduciary responsibilities to Reedrock's members, and the aforementioned individual investors.

63. The termination provisions of Article XI, §§ 11.01, 11.02 and 11.03 of the Operating Agreement provide, *inter alia*, for there to be a Liquidating Member. See Exhibit “A” at pps. 16-17.

64. Although the Petitioner may not have yet fully discovered all wrongful conduct by S&L, *de facto* control of Reedrock has been wrongfully usurped.

65. As a result, we respectfully request that Petitioner Kuafu be appointed by the Court and/or otherwise deemed to be the Liquidating Member of Reedrock in accordance with Article XI, § 11.03 of the Operating Agreement. See Exhibit “A” at p. 17.

66. Alternatively, we request that the Court appoint a Receiver to effect the orderly liquidation of Reedrock pursuant to Delaware LLCA § 18-802 to prevent continuing losses and damage.

**AS AND FOR A THIRD CAUSE OF ACTION**  
**(INJUNCTION)**

67. Petitioner repeats and realleges the allegations contained in paragraphs “1” through “66” of the Verified Petition as if set forth in detail herein.

68. Sean Ludwick, Siras and Siras’ designated managers, their agents, employees and any persons acting in concert with them, must be enjoined and restrained from: (a) transacting any Reedrock business; (b) usurping the management of Reedrock by acting in derogation of the Operating Agreement and/or usurping any opportunity of the Company; (c) interfering or competing in any manner with the business of Reedrock; (d) transferring, conveying, disposing of, destroying and/or interfering with the affairs of the Company and the assets, books and/or records of Reedrock; and (e) using Reedrock funds to pay for legal representation with respect to this or any related proceeding.

69. Without an injunction, Sean Ludwick, Siras and Siras' designated managers will continue to act in derogation of the Operating Agreement and encumber, waste and divert the Company's assets pending dissolution.

70. For the forgoing reasons there is no adequate remedy at law, and the Petitioner is entitled to injunctive relief.

WHEREFORE, Petitioner requests judgment:

- (a) On Petitioner's First Cause of Action, directing the orderly dissolution of Reedrock Kuafu Development Company LLC in accordance with Delaware LLCA § 18-802;
- (c) On Petitioner's Second Cause of Action, appointing either Petitioner as Liquidating Member of Reedrock Kuafu Development Company LLC or, alternatively, an independent Receiver, all in accordance with Delaware LLCA § 18-802;
- (d) On Petitioner's Third Cause of Action, restraining and enjoining Sean Ludwick, Siras, and the Siras designated managers, their agents, employees and any persons acting in concert with them, from: (i) transacting any business of Reedrock Kuafu Development Company LLC; (ii) usurping and/or diverting any opportunity of Reedrock Kuafu Development Company LLC; (iii) competing in any manner with the business of Reedrock Kuafu Development Company LLC; (iv) transferring, conveying, disposing of, destroying and/or interfering with the operations, assets, books and/or records of Reedrock Kuafu Development Company LLC; and (v) using funds of Reedrock Kuafu

Development Company LLC to pay for any legal representation with respect to this proceeding; and

- (e) Granting such other and further relief as this Court deems just, equitable and proper.

Dated: New York, New York  
February 17, 2015

**DAVIDOFF HUTCHER & CITRON LLP**  
*Attorneys for Plaintiff*


By: \_\_\_\_\_

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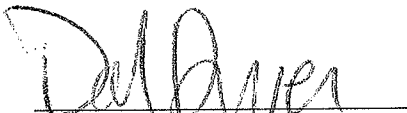
**VERIFICATION**

SHANG DAI, being duly sworn, states under penalty of perjury:

1. I am the Manager of ACTIVITY KUAFU HUDSON YARDS LLC, the Petitioner in the within proceeding, and I am duly authorized to act for the Petitioner.
2. I have read the foregoing Verified Petition and know the contents thereof.
3. The contents thereof are true to my own knowledge, except as to matters therein alleged upon information and belief and as to those allegations, I believe them to be true.

  
\_\_\_\_\_  
SHANG DAI, Manager  
ACTIVITY KUAFU HUDSON YARDS LLC

Sworn to before me this  
17 day of February 2014

  
\_\_\_\_\_  
Notary Public

DANIEL DWYER  
Notary Public, State of New York  
No. 02DW6083927  
Qualified in NEW YORK County  
Commission Expires APRIL 14, 2015