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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION**

D. RAY STRONG, as Liquidating Trustee
of the Consolidated Legacy Debtors
Liquidating Trust, the Castle Arch
Opportunity Partners I, LLC Liquidating
Trust and the Castle Arch Opportunity
Partners II, LLC Liquidating Trust,

Plaintiff,

v.

JEFF AUSTIN; AUSTIN CAPITAL
SOLUTIONS; WILLIAM H. DAVIDSON;
ROBERT D. GERINGER; ROBERT D.
GERINGER, P.C.; FINE ARTS
ENTERTAINMENT; ROBERT
CLAWSON; HYBRID ADVISOR
GROUP; and JOHN DOES 1-50,

Defendants.

Civil Action No. 2:14-cv-00788-TC

**ANSWER OF DEFENDANTS [REDACTED]
[REDACTED]
[REDACTED] TO PLAINTIFF'S
AMENDED COMPLAINT AND
COUNTERCLAIMS FOR
DECLARATORY RELIEF**

Judge Tena Campbell

Magistrate Judge Evelyn J. Furse

Defendant Defendant [REDACTED] [REDACTED] (“[REDACTED]”) hereby answer Plaintiff’s Amended Complaint (the “Complaint”). To the extent not specifically admitted, each and every allegation in the Complaint is denied.

I. NATURE OF THE CASE

1. Defendant admits that the Plaintiff has brought suit against Defendant but denies all remaining allegations set forth in Paragraph 1 of the Complaint.

2. With respect to the allegations contained in paragraph 2 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

3. With respect to the allegations contained in paragraph 3 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants or Pulte Homes and, therefore, denies such allegations.

4. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in Paragraph 4 and, therefore, denies such allegations.

5. With respect to the allegations contained in paragraph 5 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

¹ [REDACTED] is a non-entity, but rather [REDACTED] previously maintained a “doing business as” bank account registered in such name.

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

6. With respect to the allegations contained in paragraph 6 of the Complaint, Defendant admits that a private placement memorandum is generally given to interested investors for private offerings, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations. Except as expressly admitted herein, the Defendant denies each and every allegation contained such paragraph of the Complaint.

7. With respect to the allegations contained in paragraph 7 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

8. With respect to the allegations contained in paragraph 8 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

9. With respect to the allegations contained in paragraph 9 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

II. PRIOR BANKRUPTCY PROCEEDINGS

10. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in Paragraph 10 and, therefore, denies such allegations.

11. With respect to the allegations contained in paragraph 11 of the Complaint, the Bankruptcy Court Order referenced speaks for itself and requires no response from Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning Plaintiff and, therefore, denies such allegations.

12. Paragraph 12 of the Complaint contains a reference to an order of the Bankruptcy Court and definitions of various terms that do not require an admission or denial.

13. Paragraph 13 of the Complaint contains a reference to an order of the Bankruptcy Court and definitions of various terms that do not require an admission or denial.

14. With respect to the allegations contained in paragraph 14 of the Complaint, references to the Confirmed Plan and Liquidating Trust Agreement do not require an admission or denial. Further, the allegations contained in paragraph 14 of the Complaint purport to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendants denies such allegations that Plaintiff is “the owner of any claims individual investors had against CAREIC’s former officers and directors, including their claims for violation of state securities laws” and that Plaintiff “is the real party in interest in this lawsuit” as Plaintiff has not pled any assignment and, on information and belief, no specific, express assignment was made to Plaintiff.

III. JURISDICTION AND VENUE

15. The allegations contained in paragraph 15 of the Complaint purport to state legal conclusions, and thus no responsive pleading is required. Nonetheless, the Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

16. The allegations contained in paragraph 16 of the Complaint purport to state legal conclusions, and thus no responsive pleading is required. Nonetheless, the Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

17. The allegations contained in paragraph 17 of the Complaint purport to state legal conclusions, and thus no responsive pleading is required. Nonetheless, the Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

IV. PARTIES

18. With respect to the allegations contained in paragraph 18 of the Complaint, Defendant admits that D. Ray Strong is a resident of the State of Utah, but Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any of the remaining allegations and, therefore, denies such allegations.

19. With respect to the allegations contained in paragraph 19 of the Complaint, Defendant admits the allegations in the first and second sentences, but as to the remaining allegations, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

20. With respect to the allegations contained in paragraph 20 of the Complaint, Defendant admits that Robert D. Geringer, P.C. is a California corporation, but as to the remaining allegations, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

21. With respect to the allegations contained in paragraph 21 of the Complaint, Defendant admits that Fine Arts Entertainment, Inc. is a California corporation, but as to the remaining allegations, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

22. With respect to the allegations contained in paragraph 22 of the Complaint, Defendant admits the allegations in the first sentence, but as to the remaining allegations, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

23. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in Paragraph 23 and, therefore, denies such allegations.

24. With respect to the allegations contained in paragraph 24 of the Complaint, Defendant admits: (i) the allegations in the first sentence, (ii) that “Davisdon became a member of CAREIC’s Board of Directors” and was “Chairman of the Board,” but as to the remaining allegations, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

25. With respect to the allegations contained in paragraph 25 of the Complaint, Defendant admits the allegations in the first sentence, states that the Opinion of the Commission in 2003 referenced speaks for itself and requires no response from Defendant, Defendant denies the remaining allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

26. With respect to the allegations contained in paragraph 26 of the Complaint, Defendant denies that Hybrid Advisor Group is a California entity, and as to the remaining allegations, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity and, therefore, denies such allegations.

27. With respect to the allegations contained in paragraph 27 of the Complaint, the Complaint speaks for itself.

28. With respect to the allegations contained in paragraph 28 of the Complaint, the definitions of various terms that do not require an admission or denial. Nonetheless, to the extent such allegations purport to state legal conclusions, which no responsive pleading would be required, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

V. GENERAL ALLEGATIONS

29. With respect to the allegations contained in paragraph 29 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

30. With respect to the allegations contained in paragraph 30 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

31. With respect to the allegations contained in paragraph 31 of the Complaint, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in the first sentence and, therefore, denies such allegations, and with respect to the second sentence, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

32. With respect to the allegations contained in paragraph 32 of the Complaint, Defendant admits the allegations in the first sentence, but Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

33. With respect to the allegations contained in paragraph 33 of the Complaint, Defendant refers to “CAREIC’s PPMs and public filings” referenced in this paragraph for a full and complete statement of their contents, while the first sentence purports to state legal conclusions, and thus no responsive pleading is required; nonetheless, the Defendant denies the

allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

34. With respect to the allegations contained in paragraph 34 of the Complaint, Defendant admits that “CAREIC’s Board of Directors was comprised of Davidson, Geringer, Austin,” but to the remaining allegations, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any of the remaining allegations and, therefore, denies such allegations.

35. With respect to the allegations contained in paragraph 35 of the Complaint, Defendant refers to the “PPMs, public filings, and other documents” referenced in this paragraph for a full and complete statement of their contents, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

36. With respect to the allegations contained in paragraph 36 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

37. With respect to the allegations contained in paragraph 37 of the Complaint, Defendant refers to the “Minutes from these Board of Directors’ meetings” referenced in this paragraph for a full and complete statement of their contents, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is

without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

38. With respect to the allegations contained in paragraph 38 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

39. With respect to the allegations contained in paragraph 39 of the Complaint, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

40. With respect to the allegations contained in paragraph 40 of the Complaint, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

41. With respect to the allegations contained in paragraph 41 of the Complaint, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

42. With respect to the allegations contained in paragraph 42 of the Complaint, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

43. With respect to the allegations contained in paragraph 43 of the Complaint, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations

44. With respect to the allegations contained in paragraph 44 of the Complaint, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

45. With respect to the allegations contained in paragraph 45 of the Complaint, Defendant admits that he attended one or more Board meetings, but denies the remaining allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning “[e]mployees of CAREIC” or other defendants and, therefore, denies such allegations.

46. With respect to the allegations contained in paragraph 46 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

47. With respect to the allegations contained in paragraph 47 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

48. With respect to the allegations contained in paragraph 48 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

49. With respect to the allegations contained in paragraph 49 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

50. With respect to the allegations contained in paragraph 50 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

51. With respect to the allegations contained in paragraph 51 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

52. With respect to the allegations contained in paragraph 52 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

53. With respect to the allegations contained in paragraph 53 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

54. With respect to the allegations contained in paragraph 54 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

55. With respect to the allegations contained in paragraph 55 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

56. With respect to the allegations contained in paragraph 56 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

57. With respect to the allegations contained in paragraph 57 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

58. With respect to the allegations contained in paragraph 58 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

59. With respect to the allegations contained in paragraph 59 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

60. With respect to the allegations contained in paragraph 60 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

61. With respect to the allegations contained in paragraph 61 of the Complaint, Defendant refers to the “CAK PPM” referenced in this paragraph for a full and complete statement of its contents, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

62. With respect to the allegations contained in paragraph 62 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

63. With respect to the allegations contained in paragraph 63 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

64. With respect to the allegations contained in paragraph 64 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

65. With respect to the allegations contained in paragraph 65 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

66. With respect to the allegations contained in paragraph 66 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

67. With respect to the allegations contained in paragraph 67 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

68. With respect to the allegations contained in paragraph 68 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

69. With respect to the allegations contained in paragraph 69 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

70. With respect to the allegations contained in paragraph 70 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

71. With respect to the allegations contained in paragraph 71 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

72. With respect to the allegations contained in paragraph 72 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

73. With respect to the allegations contained in paragraph 73 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

74. With respect to the allegations contained in paragraph 74 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

75. With respect to the allegations contained in paragraph 75 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

76. With respect to the allegations contained in paragraph 76 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

77. With respect to the allegations contained in paragraph 77 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

78. With respect to the allegations contained in paragraph 78 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

79. With respect to the allegations contained in paragraph 79 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

80. With respect to the allegations contained in paragraph 80 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

81. With respect to the allegations contained in paragraph 81 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

82. With respect to the allegations contained in paragraph 82 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

83. With respect to the allegations contained in paragraph 83 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

84. With respect to the allegations contained in paragraph 84 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

85. With respect to the allegations contained in paragraph 85 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

86. With respect to the allegations contained in paragraph 86 of the Complaint, Defendant refers to the “Tooele Pro Forma” referenced in this paragraph for a full and complete statement of its contents, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

87. With respect to the allegations contained in paragraph 87 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

88. With respect to the allegations contained in paragraph 88 of the Complaint, Defendant refers to the “internal memorandum prepared by CAREIC personnel” referenced in this paragraph for a full and complete statement of its contents, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is

without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

89. With respect to the allegations contained in paragraph 89 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

90. With respect to the allegations contained in paragraph 90 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

91. With respect to the allegations contained in paragraph 91 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

92. With respect to the allegations contained in paragraph 92 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

93. With respect to the allegations contained in paragraph 93 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

94. With respect to the allegations contained in paragraph 94 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

95. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in paragraph 95, therefore, denies such allegations.

96. With respect to the allegations contained in paragraph 96 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

97. With respect to the allegations contained in paragraph 97 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

98. With respect to the allegations contained in paragraph 98 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

99. With respect to the allegations contained in paragraph 99 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

100. With respect to the allegations contained in paragraph 100 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

101. With respect to the allegations contained in paragraph 101 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

102. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in paragraph 102, therefore, denies such allegations.

103. With respect to the allegations contained in paragraph 103 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

104. With respect to the allegations contained in paragraph 104 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

105. With respect to the allegations contained in paragraph 105 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

106. With respect to the allegations contained in paragraph 106 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

107. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in paragraph 107, therefore, denies such allegations.

108. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in paragraph 108, therefore, denies such allegations.

109. With respect to the allegations contained in paragraph 109 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

110. With respect to the allegations contained in paragraph 110 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

111. With respect to the allegations contained in paragraph 111 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

112. With respect to the allegations contained in paragraph 112 of the Complaint, Defendant refers to the “December 2006 Analysis” referenced in this paragraph for a full and complete statement of its contents, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

113. With respect to the allegations contained in paragraph 113 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

114. With respect to the allegations contained in paragraph 114 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

115. With respect to the allegations contained in paragraph 115 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

116. With respect to the allegations contained in paragraph 116 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

117. With respect to the allegations contained in paragraph 117 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

118. With respect to the allegations contained in paragraph 118 of the Complaint, Defendant refers to the “June 2007 Revision” referenced in this paragraph for a full and complete statement of its contents, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

119. With respect to the allegations contained in paragraph 119 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

120. With respect to the allegations contained in paragraph 120 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

121. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in paragraph 121, therefore, denies such allegations.

122. With respect to the allegations contained in paragraph 122 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

123. With respect to the allegations contained in paragraph 123 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

124. With respect to the allegations contained in paragraph 124 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

125. With respect to the allegations contained in paragraph 125 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

126. With respect to the allegations contained in paragraph 126 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

127. With respect to the allegations contained in paragraph 127 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

128. With respect to the allegations contained in paragraph 128 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

129. With respect to the allegations contained in paragraph 129 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants or Beazer Homes and, therefore, denies such allegations.

130. With respect to the allegations contained in paragraph 130 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

131. With respect to the allegations contained in paragraph 131 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

132. With respect to the allegations contained in paragraph 132 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

133. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in paragraph 133, therefore, denies such allegations.

134. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in paragraph 134, therefore, denies such allegations.

135. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in paragraph 135, therefore, denies such allegations.

136. With respect to the allegations contained in paragraph 136 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

137. With respect to the allegations contained in paragraph 137 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

138. With respect to the allegations contained in paragraph 138 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

139. With respect to the allegations contained in paragraph 139 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

140. With respect to the allegations contained in paragraph 140 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

141. With respect to the allegations contained in paragraph 141 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

142. With respect to the allegations contained in paragraph 142 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

143. With respect to the allegations contained in paragraph 143 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

144. With respect to the allegations contained in paragraph 144 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

145. With respect to the allegations contained in paragraph 145 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

146. With respect to the allegations contained in paragraph 146 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

147. With respect to the allegations contained in paragraph 147 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

148. With respect to the allegations contained in paragraph 148 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

149. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in paragraph 149, therefore, denies such allegations.

150. With respect to the allegations contained in paragraph 150 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

151. With respect to the allegations contained in paragraph 151 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

152. With respect to the allegations contained in paragraph 152 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

153. With respect to the allegations contained in paragraph 153 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

154. With respect to the allegations contained in paragraph 154 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

155. With respect to the allegations contained in paragraph 155 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

156. With respect to the allegations contained in paragraph 156 of the Complaint, Defendant admits that during a certain period during his service Defendant received nearly \$21,000 per month from CAREIC, but states that during other periods during his service, he

received no or significantly less amounts from CAREIC, and Defendant denies all remaining allegations.

157. With respect to the allegations contained in paragraph 157 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

158. With respect to the allegations contained in paragraph 158 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

159. With respect to the allegations contained in paragraph 159 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

160. With respect to the allegations contained in paragraph 160 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

161. With respect to the allegations contained in paragraph 161 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

162. With respect to the allegations contained in paragraph 162 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

163. With respect to the allegations contained in paragraph 163 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

164. With respect to the allegations contained in paragraph 164 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

165. With respect to the allegations contained in paragraph 165 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

166. With respect to the allegations contained in paragraph 166 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

167. With respect to the allegations contained in paragraph 167 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

168. With respect to the allegations contained in paragraph 168 of the Complaint, Defendant states that the referenced Opinion of the Commission in 2003 speaks for itself and requires no response from Defendant and purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, the Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

169. With respect to the allegations contained in paragraph 169 of the Complaint, Defendant admits to the extent that the allegations purport to describe the knowledge of Defendant as to the Opinion of the Commission in 2003 and that certain officers and directors of CAREIC were made aware of such, denies any allegations that [REDACTED] was an “Officer” or “Director,” and Defendant is without sufficient knowledge or information to form a belief as to

the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

170. With respect to the allegations contained in paragraph 170 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

171. With respect to the allegations contained in paragraph 171 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

172. With respect to the allegations contained in paragraph 172 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

173. With respect to the allegations contained in paragraph 173 of the Complaint, Defendant admits that Austin was involved in the Debtors' sales of its securities, denies the allegations to the extent those allegations purport to describe the practices of Defendant, and as to the remaining allegations, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

174. With respect to the allegations contained in paragraph 174 of the Complaint, Defendant admits that Austin was involved in the Debtors' securities sales force, denies the allegations to the extent those allegations purport to describe the practices of Defendant, and as to the remaining allegations, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

175. With respect to the allegations contained in paragraph 175 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

176. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in paragraph 176, therefore, denies such allegations.

177. With respect to the allegations contained in paragraph 177 of the Complaint, Defendant admits the first sentence, and as to the remaining allegations, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants or Grundy and, therefore, denies such allegations.

178. With respect to the allegations contained in paragraph 178 of the Complaint, Defendant admits that FINRA discloses that Grundy passed the Series 62 examination on February 1, 2008 and passed the Series 63 examination on June 30, 2008, and as to the remaining allegations, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants or Grundy and, therefore, denies such allegations.

179. With respect to the allegations contained in paragraph 179 of the Complaint, Defendant admits that Green's title was Regional Vice President for Business Development (Western Region), and as to the remaining allegations, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants or Green and, therefore, denies such allegations.

180. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations in paragraph 180, therefore, denies such allegations.

181. With respect to the allegations contained in paragraph 181 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

182. With respect to the allegations contained in paragraph 182 of the Complaint, Defendant admits that certain persons associated with CAREIC involved in sales were not licensed, but denies that license status is determinative of whether or not an intermediary is acting as a finder or an unregistered broker-dealer as such determination is fact-specific and complex, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

183. With respect to the allegations contained in paragraph 183 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices

of Defendant, denies that license status is determinative of whether or not an intermediary is acting as a finder or an unregistered broker-dealer as such determination is fact-specific and complex, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants or such “[u]nlicensed finders,” and, therefore, denies such allegations.

184. With respect to the allegations contained in paragraph 184 of the Complaint, Defendant admits that certain persons associated with CAREIC involved in sales were not licensed, but denies that license status is determinative of whether or not an intermediary is acting as a finder or an unregistered broker-dealer as such determination is fact-specific and complex, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

185. With respect to the allegations contained in paragraph 185 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, denies that license status is determinative of whether or not an intermediary is acting as a finder or an unregistered broker-dealer as such determination is fact-specific and complex, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

186. With respect to the allegations contained in paragraph 186 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

187. With respect to the allegations contained in paragraph 187 of the Complaint, Defendant refers to the AXIS insurance policy referenced in this paragraph for a full and complete statement of its contents, Defendant admits that the Policy was a “claims-made policy,” Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

188. With respect to the allegations contained in paragraph 188 of the Complaint, Defendant refers to the AXIS insurance policy referenced in this paragraph for a full and complete statement of its contents, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

189. With respect to the allegations contained in paragraph 189 of the Complaint, Defendant refers to the Endorsement No. 17 to the AXIS insurance policy referenced in this paragraph for a full and complete statement of its contents, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

190. With respect to the allegations contained in paragraph 190 of the Complaint, Defendant admits that the Plaintiff made a demand on the AXIS insurance policy, Defendant

denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

191. With respect to the allegations contained in paragraph 191 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

192. With respect to the allegations contained in paragraph 192 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

193. With respect to the allegations contained in paragraph 193 of the Complaint, Defendant admits that CAREIC raised funds through “private placements,” Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

194. With respect to the allegations contained in paragraph 194 of the Complaint, Defendant admits that approximately \$37.2 million in securities were offered and sold in the Series A, B, C, D and E according to the notes to the consolidated financial statements contained in CAREIC’s Form 10-KSB for the fiscal year ended December 31, 2008 filed with EDGAR

database, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

195. With respect to the allegations contained in paragraph 195 of the Complaint, Defendant states that the Complaint “focuses on and asserts claims solely relating to CAREIC’s” the “Series E offering” speaks for itself, admits that \$6.1 million was reported placed in the Series E offering according to the notes to the consolidated financial statements contained in CAREIC’s Form 10-KSB for the fiscal year ended December 31, 2008 filed with EDGAR database, and denies that the Series E offering “began no earlier than June 1, 2008” as the Series E offering was reported as commencing on April 14, 2008 according to the notes to the consolidated financial statements contained in CAREIC’s Form 10-KSB for the fiscal year ended December 31, 2008 filed with EDGAR database.

196. With respect to the allegations contained in paragraph 196 of the Complaint, Defendant admits that CAREIC offered and sold securities in CAREIC itself, Defendant denies that securities (other than CAREIC itself) were sold in “purportedly ‘single-purpose’ or ‘project-specific’ entities as the PPMs provided (using the CAS PPM for example) that “[t]he net proceeds of this offering are not allocated for specific uses[.]” Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

197. With respect to the allegations contained in paragraph 197 of the Complaint, Defendant states that the Complaint “focuses on and asserts claims relating to” the “CAS PPM,

dated June 25, 2007” and the “CASDF PPM, dated February 1, 2008” speaks for itself, the definitions of various terms that do not require an admission or denial (“Relevant Securities Offerings” or the “Relevant PPMs”), Defendant admits that \$4.1 million was placed pursuant to the CAS PPM according to the notes to the consolidated financial statements contained in CAREIC’s Form 10-KSB for the fiscal year ended December 31, 2008 filed with EDGAR database, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

198. With respect to the allegations contained in paragraph 198 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

199. With respect to the allegations contained in paragraph 199 of the Complaint, other than as specifically averred herein, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations. Defendant admits that he reviewed and made observations on a portion or portions of the Series E PPM, but the drafting of the Series E PPM was performed by legal professional(s) with the assistance of certain real estate, accounting and other professionals.

200. With respect to the allegations contained in paragraph 200 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

201. With respect to the allegations contained in paragraph 201 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

202. With respect to the allegations contained in paragraph 202 of the Complaint, other than as specifically averred herein, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations. Defendant admits that he reviewed and made observations on a portion or portions of the CAS PPM, but the drafting of the CAS PPM was performed by legal professional(s) with the assistance of certain real estate, accounting and other professionals.

203. With respect to the allegations contained in paragraph 203 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

204. With respect to the allegations contained in paragraph 204 of the Complaint, Defendant admits that, at or prior to the time the CASDF PPM was initially published, he reviewed, made observations and proposed suggestions on portions of the CASDF PPM, that he participated in meetings and telephone calls related generally to the CASDF PPM and he provided the private placement memorandum and related offering documents (such as supplements, amendments and marketing material, as applicable) of the IMH Secured Loan Fund, LLC (“IMH Fund”) to the legal professional(s) that drafted the CASDF PPM with the assistance of certain real estate, accounting and other professionals. The form, structure and content of the CASDF PPM was drafted by such legal and other professional(s) based on the nearly identical IMH Fund, which the primary business of the IMH Fund was “making investments in senior short-term whole commercial real estate mortgage loans which were collateralized by first mortgages on real property.” *See* Form 10-K, FY 2016, IMH Financial Corp., www.sec.gov/Archives/edgar/data/1397403/000139740317000009/ifcn2016123110k.htm (IMH Fund nearly collapsed due to the “severe disruptions in the general real estate and related markets and the rapid decline in the global and U.S. economies,” but avoided a complete collapse by raising additional capital after a series of dilutive events in converting to a publicly-reporting corporation). Other than as specifically averred in the foregoing, Defendant denies the allegations to the extent such allegations purport to describe the practices of Defendant and Defendant denies that he had authority, control, day-to-day involvement or general charge of the business, affairs, property, investment decisions or the allocation of investment proceeds of CASDF or its manager (CAREIC) or involved in the legal decision to amend, alter or supplement the CASDF PPM based such acts, practices or conduct (subsequent or otherwise), which such decision and the drafting thereof was performed by legal professional(s) with the

assistance of certain real estate, accounting and other professionals. Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

205. With respect to the allegations contained in paragraph 205 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

206. With respect to the allegations contained in paragraph 206 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

207. With respect to the allegations contained in paragraph 207 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

208. With respect to the allegations contained in paragraph 208 of the Complaint, Defendant admits that Debtors used the Relevant PPMs (as amended or supplemented, to the extent applicable) to solicit investments from the investors who invested in CAREIC, CAS, and CASDF, Defendant admits that the subscription agreements for the Relevant PPMs generally required the purchaser to represent and warranty (for example) that “[t]he offer to sell the

securities was directly communicated to Purchaser by the Company through the Memorandum[,]” Defendant denies that investors assigned their claims to the Trustee as Plaintiff has not pled any assignment and, on information and belief, no specific, express assignment was made to Plaintiff, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of the allegation that all of the investors “received a copy of the Relevant PPM in connection with the offer and sale of the securities they purchased[,]” Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants or “other sales representatives of Debtors” and, therefore, denies such allegations.

209. With respect to the allegations contained in paragraph 209 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

210. With respect to the allegations contained in paragraph 210 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, Defendant denies those allegations that purport to allege a material omission in the Relevant PPMs (as amended or supplement, or incorporating additional disclosures, as applicable) and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

211. With respect to the allegations contained in paragraph 211 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

212. With respect to the allegations contained in paragraph 212 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, Defendant denies those allegations that purport to allege a material omission in the Relevant PPMs (as amended or supplement, or incorporating additional disclosures, as applicable) and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

213. With respect to the allegations contained in paragraph 213 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, Defendant denies those allegations that purport to allege a material omission in the Relevant PPMs (as amended or supplement, or incorporating additional disclosures, as applicable) and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

214. With respect to the allegations contained in paragraph 214 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, Defendant denies those allegations that purport to allege a material omission in the Relevant PPMs (as amended or supplement, or incorporating additional disclosures, as

applicable) and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

215. With respect to the allegations contained in paragraph 215 of the Complaint, other than as specifically averred herein, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant (including but not limited to the use of the term “Management”), Defendant denies the Opinion of the Commission in 2003 “permanently banned” Defendant “from dealing in securities such as those sold by Debtors” and refers to the Opinion of the Commission in 2003 for a full and complete statement of its contents, Defendant denies that the Opinion of the Commission in 2003 prohibits [REDACTED] from involvement in the operations of a company, Defendant denies that the disclosure of the Opinion of the Commission in 2003 was not relevant or mandated under the federal securities laws (*see, e.g.*, Regulation S-K applicable to registration statements under the Securities Act of 1933, not private placements, providing disclosure requirements for “executive officers” and “directors,” which [REDACTED] satisfies neither under the statutory definitions thereof), and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations. Defendant admits that the Relevant PPMs do not contain disclosure of the contents Opinion of the Commission in 2003, but states that such disclosure is neither relevant nor mandated (as previously stated), and drafting and disclosure of the Relevant PPMs was performed by legal professional(s) with the assistance of certain real estate, accounting and other professionals.

216. With respect to the allegations contained in paragraph 216 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices

of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

217. With respect to the allegations contained in paragraph 217 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

218. With respect to the allegations contained in paragraph 218 of the Complaint, Defendant denies the allegations and states that the referenced CAS PPM speaks for itself, which includes, but is not limited to, the following: (i) **“CAREIC, OUR MANAGING MEMBER, MAY SPEND THE NET PROCEEDS OF THIS OFFERING IN WAYS WITH WHICH YOU MAY NOT AGREE[.]** The net proceeds of this offering are not allocated for specific uses. The management will have broad discretion to spend the net proceeds of this offering in ways that investors may not agree. Management’s failure to apply these funds effectively could result in unfavorable returns, or loss of your entire investment[;]” (ii) **“DISCRETIONARY USE OF PROCEEDS[.]** We have no current specific plan for the use of a significant portion of the estimated net proceeds from this offering. As a consequence, our management will have the discretion to allocate a large percentage of the net proceeds to uses that purchasers of our securities may not consider desirable, and there can be no assurance that the net proceeds can or will be invested to yield a significant return[;]” and (iii) CAREIC “intend[s] to use the net proceeds of this offering for land acquisition...[CAREIC has] not determined the amount of net proceeds to be used specifically for each of the foregoing purposes. Accordingly, our

management will have broad discretion to spend flexibly in applying the net proceeds of this offering.”

219. With respect to the allegations contained in paragraph 219 of the Complaint, Defendant states that the referenced CAS PPM speaks for itself, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning the referenced “previously used funds for similar single-purpose entities” and, therefore, denies such allegations, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

220. With respect to the allegations contained in paragraph 220 of the Complaint, Defendant denies the allegations and states that the referenced CAS PPM speaks for itself, which includes, but is not limited to, the following: (i) **“CAREIC, OUR MANAGING MEMBER, MAY SPEND THE NET PROCEEDS OF THIS OFFERING IN WAYS WITH WHICH YOU MAY NOT AGREE[.]** The net proceeds of this offering are not allocated for specific uses. The management will have broad discretion to spend the net proceeds of this offering in ways that investors may not agree. Management’s failure to apply these funds effectively could result in unfavorable returns, or loss of your entire investment[;]” (ii) **“DISCRETIONARY USE OF PROCEEDS[.]** We have no current specific plan for the use of a significant portion of the estimated net proceeds from this offering. As a consequence, our management will have the discretion to allocate a large percentage of the net proceeds to uses that purchasers of our securities may not consider desirable, and there can be no assurance that the net proceeds can or will be invested to yield a significant return[;]” and (iii) CAREIC “intend[s] to use the net

proceeds of this offering for land acquisition...[CAREIC has] not determined the amount of net proceeds to be used specifically for each of the foregoing purposes. Accordingly, our management will have broad discretion to spend flexibly in applying the net proceeds of this offering.”

221. With respect to the allegations contained in paragraph 221 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

222. With respect to the allegations contained in paragraph 222 of the Complaint, the referenced PPM speaks for itself and requires no response from Defendant.

223. With respect to the allegations contained in paragraph 223 of the Complaint, the referenced PPM speaks for itself and requires no response from Defendant, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

224. With respect to the allegations contained in paragraph 224 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

225. With respect to the allegations contained in paragraph 225 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices

of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

226. With respect to the allegations contained in paragraph 226 of the Complaint, Defendant admits that, at or prior to the time the CASDF PPM was initially published, he reviewed, made observations and proposed suggestions on portions of the CASDF PPM and Defendant provided the private placement memorandum and related offering documents (such as supplements, amendments and marketing material, as applicable) of the IMH Secured Loan Fund, LLC (“IMH Fund”) to the legal professional(s) that drafted the CASDF PPM with the assistance of certain real estate, accounting and other professionals. The contents of the CASDF PPM was drafted by such legal and other professional(s) based on the nearly identical IMH Fund, which the primary business of the IMH Fund was “making investments in senior short-term whole commercial real estate mortgage loans which were collateralized by first mortgages on real property.” *See* Form 10-K, FY 2016, IMH Financial Corp., www.sec.gov/Archives/edgar/data/1397403/000139740317000009/ifcn2016123110k.htm (IMH Fund nearly collapsed due to the “severe disruptions in the general real estate and related markets and the rapid decline in the global and U.S. economies,” but avoided a complete collapse by raising additional capital after a series of dilutive events in converting to a publicly-reporting corporation). Other than as specifically averred in the foregoing, Defendant denies the allegations.

227. With respect to the allegations contained in paragraph 227 of the Complaint, Defendant denies the allegations and states that the referenced CAS PPM speaks for itself, which includes, but is not limited to, the following: (i) “The Fund intends to invest in projects

collateralized by a senior lien on the real property that is the subject of the investment.

Additionally, CAREIC will further back the Fund investors' investment and interest. These measures will increase the Fund's ability to deliver highly favorable returns on its invested capital to its investors. Notwithstanding the foregoing, the preferred units sold in this offering are not guaranteed or secured, nor is the Fund, its investors or investments insured or guaranteed by any government agency[;]" (ii) "***Units are not guaranteed and could become worthless.*** The units are not guaranteed or insured by any government agency or by any private party. The amount of earnings is not guaranteed and can vary with market conditions. The return of all or any portion of capital invested in units is not guaranteed, and the units could become worthless[;]" (iii) "***CAREIC, our managing member, may spend the net proceeds of this offering in ways with which you may not agree.*** The net proceeds of this offering are not allocated for specific uses. The management will have broad discretion to spend the net proceeds of this offering in ways that investors may not agree. Management's failure to apply these funds effectively could result in unfavorable returns, or where CAREIC is unable to back-up substantial losses, a loss of your entire investment[;]" (iv) "***Defaults on our investments will decrease our revenue and distributions.*** We are in the business of investing in real estate and, as such, we risk defaults by recipients of our investments...If the value of our collateral declines and a foreclosure and sale occurs, we may not recover the full amount of our investment, thus reducing the amount of cash available within the Fund[;]" (v) "***CAREIC and any other third parties or projects into which we invest are exposed to risks associated with owning real estate and unexpected expenses or liabilities could reduce the likelihood that parties or projects into which we invest will be able to develop or sell the real estate, which will increase the likelihood that those parties will default on the investments.***...Any or all of these risks, if not properly

managed by the parties or projects into which we invest, could impose substantial costs or other burdens on those parties or projects or their property, or result in a reduction in the value of the property, thereby increasing the likelihood of default by the parties or projects[;]” and (vi) **“Guarantors of our investments may not have sufficient assets to back up their guarantees, which could make enforcing such guarantees difficult and costly, and could reduce the cash available to distribute to Members and holders of our Preferred Units.** Our investments are not insured or guaranteed by any federal, state or local government agency. Our investments may be guaranteed by individuals or entities which are typically related to the parties or projects into which we invest. These guarantors may not have sufficient assets to back up their guarantees in whole or in part, and collections pursuant to any such guarantees may be difficult and costly. Consequently, if there is a default our only recourse may be to foreclose upon the collateralized real property. The value of the foreclosed property may have decreased and may not be equal to the amount outstanding under the corresponding investment, resulting (upon sale) in a decrease of the amount of cash available within the Fund.”

228. With respect to the allegations contained in paragraph 228 of the Complaint, Defendant denies the allegations and states that the referenced CAS PPM speaks for itself, which includes, but is not limited to, the following: (i) **“Units are not guaranteed and could become worthless.** The units are not guaranteed or insured by any government agency or by any private party. The amount of earnings is not guaranteed and can vary with market conditions. The return of all or any portion of capital invested in units is not guaranteed, and the units could become worthless[;]” (ii) **“CAREIC, our managing member, may spend the net proceeds of this offering in ways with which you may not agree.** The net proceeds of this offering are not allocated for specific uses. The management will have broad discretion to spend the net proceeds

of this offering in ways that investors may not agree. Management's failure to apply these funds effectively could result in unfavorable returns, or where CAREIC is unable to back-up substantial losses, a loss of your entire investment[;]" (iii) "***CAREIC and any other third parties or projects into which we invest are exposed to risks associated with owning real estate and unexpected expenses or liabilities could reduce the likelihood that parties or projects into which we invest will be able to develop or sell the real estate, which will increase the likelihood that those parties will default on the investments***...Any or all of these risks, if not properly managed by the parties or projects into which we invest, could impose substantial costs or other burdens on those parties or projects or their property, or result in a reduction in the value of the property, thereby increasing the likelihood of default by the parties or projects[;]" (iv) "***Guarantors of our investments may not have sufficient assets to back up their guarantees, which could make enforcing such guarantees difficult and costly, and could reduce the cash available to distribute to Members and holders of our Preferred Units***. Our investments are not insured or guaranteed by any federal, state or local government agency. Our investments may be guaranteed by individuals or entities which are typically related to the parties or projects into which we invest. These guarantors may not have sufficient assets to back up their guarantees in whole or in part, and collections pursuant to any such guarantees may be difficult and costly. Consequently, if there is a default our only recourse may be to foreclose upon the collateralized real property. The value of the foreclosed property may have decreased and may not be equal to the amount outstanding under the corresponding investment, resulting (upon sale) in a decrease of the amount of cash available within the Fund[;]" (v) "CAREIC, the Fund's Manager and sole common equity holder, is a fully reporting, non-trading public company registered with the Securities and Exchange Commission, and complies with all applicable SEC reporting

requirements including independent board members and audited financial statements” and according to CAREIC’s Form 10-KSB for the fiscal year ended December 31, 2008 filed with EDGAR database, (a) “At December 31, 2008, we had cash and cash equivalents of \$140,393, compared to \$1,556,730 at December 31, 2007” and (b) “We have sustained significant operating losses since our inception, including the years 2008 and 2007. At December 31, 2008, we had total member capital of \$6,126,951, and cash on hand of \$140,393. In the coming twelve months, our liquidity and cash requirements will depend on several factors. If our resources are not sufficient to fund our needs through 2009 there are no assurances that we will be successful in raising sufficient capital.”

229. With respect to the allegations contained in paragraph 229 of the Complaint, Defendant denies the allegations and states that the referenced CAS PPM speaks for itself, which includes, but is not limited to, the following: (i) “***Units are not guaranteed and could become worthless.*** The units are not guaranteed or insured by any government agency or by any private party. The amount of earnings is not guaranteed and can vary with market conditions. The return of all or any portion of capital invested in units is not guaranteed, and the units could become worthless[;]” (ii) “***CAREIC, our managing member, may spend the net proceeds of this offering in ways with which you may not agree.*** The net proceeds of this offering are not allocated for specific uses. The management will have broad discretion to spend the net proceeds of this offering in ways that investors may not agree. Management’s failure to apply these funds effectively could result in unfavorable returns, or where CAREIC is unable to back-up substantial losses, a loss of your entire investment[;]” (iii) “***CAREIC and any other third parties or projects into which we invest are exposed to risks associated with owning real estate and unexpected expenses or liabilities could reduce the likelihood that parties or projects into***

which we invest will be able to develop or sell the real estate, which will increase the likelihood that those parties will default on the investments...Any or all of these risks, if not properly

managed by the parties or projects into which we invest, could impose substantial costs or other burdens on those parties or projects or their property, or result in a reduction in the value of the property, thereby increasing the likelihood of default by the parties or projects[;]” (iv)

“Guarantors of our investments may not have sufficient assets to back up their guarantees, which could make enforcing such guarantees difficult and costly, and could reduce the cash available to distribute to Members and holders of our Preferred Units. Our investments are not insured or guaranteed by any federal, state or local government agency. Our investments may be guaranteed by individuals or entities which are typically related to the parties or projects into which we invest. These guarantors may not have sufficient assets to back up their guarantees in whole or in part, and collections pursuant to any such guarantees may be difficult and costly.

Consequently, if there is a default our only recourse may be to foreclose upon the collateralized real property. The value of the foreclosed property may have decreased and may not be equal to the amount outstanding under the corresponding investment, resulting (upon sale) in a decrease of the amount of cash available within the Fund[;]” (v) “CAREIC, the Fund’s Manager and sole common equity holder, is a fully reporting, non-trading public company registered with the Securities and Exchange Commission, and complies with all applicable SEC reporting requirements including independent board members and audited financial statements” and according to the consolidated financial statements contained in CAREIC’s Form 10-KSB for the fiscal year ended December 31, 2008 filed with EDGAR database, CAREIC had total assets of \$50,787,448 and total liabilities of \$44,660,497.

230. With respect to the allegations contained in paragraph 230 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

231. With respect to the allegations contained in paragraph 231 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

232. With respect to the allegations contained in paragraph 232 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

233. With respect to the allegations contained in paragraph 233 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

234. With respect to the allegations contained in paragraph 234 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

235. With respect to the allegations contained in paragraph 235 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

236. With respect to the allegations contained in paragraph 236 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

237. With respect to the allegations contained in paragraph 237 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

238. With respect to the allegations contained in paragraph 238 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

239. With respect to the allegations contained in paragraph 239 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

240. With respect to the allegations contained in paragraph 240 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

241. With respect to the allegations contained in paragraph 241 of the Complaint, Defendant states that the referenced CAS PPM speaks for itself and requires no response from Defendant.

242. With respect to the allegations contained in paragraph 242 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, Defendant states that the referenced CAS PPM speaks for itself, which includes, but is not limited to, the following: (i) CAREIC is as a “reporting company, we publicly file an annual report required by the Securities and Exchange Commission (“SEC”) each year that is a comprehensive summary of our performance and financial condition. The report contains audited financial statements. We must also file statements after each quarter with similar, unaudited information” and that such information is available on its website and www.sec.gov; and (ii) according to the notes to the consolidated financial statements contained in CAREIC’s Form 10-KSB for the fiscal year ended December 31, 2008 filed with EDGAR database, which discloses

that “During the twelve month period ended December 31, 2008 our Board of Directors elected to expense nonrefundable deposits and entitlement costs incurred and previously capitalized relative to properties in Coalinga, Firebaugh, and Imperial, California counties, and Lindale, Texas, totaling \$2,161,585. This is in addition to additional related fees and other abandoned property fees totaling \$24,701 in 2008 and other write-offs in 2007. Our Board of Director’s decision was based on its assessment of the properties’ ultimate viability and profitability. These amounts have been recorded in “costs of terminated projects” in our financial statements.”

243. With respect to the allegations contained in paragraph 243 of the Complaint, Defendant states that the referenced CAS PPM speaks for itself and requires no response from Defendant.

244. With respect to the allegations contained in paragraph 244 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

245. With respect to the allegations contained in paragraph 245 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

246. With respect to the allegations contained in paragraph 246 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as

to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

247. With respect to the allegations contained in paragraph 247 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

248. With respect to the allegations contained in paragraph 248 of the Complaint, Defendant admits that he received funds from CAREIC, but denies all remaining allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

249. With respect to the allegations contained in paragraph 249 of the Complaint, Defendant states that the referenced exhibits speaks for itself, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning Defendant or any other defendants and, therefore, denies such allegations.

250. With respect to the allegations contained in paragraph 250 of the Complaint, Defendant admits that he received certain funds from CAREIC as compensation and expense reimbursements, but Defendant states that the referenced exhibits speaks for itself, Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning Defendant or any other defendants and, therefore, denies such allegations.

251. With respect to the allegations contained in paragraph 250 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required.

Nonetheless, the Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

252. With respect to the allegations contained in paragraph 252 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

253. With respect to the allegations contained in paragraph 253 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

254. With respect to the allegations contained in paragraph 254 of the Complaint, Defendant denies the allegations to the extent those allegations purport to describe the practices of Defendant, and Defendant is without sufficient knowledge or information to form a belief as to the truth or falsity of any allegations concerning other defendants and, therefore, denies such allegations.

255. Paragraph 255 of the Complaint contains definitions of various terms that do not require an admission or denial.

VI. CLAIMS AGAINST DEFENDANTS

FIRST CLAIM FOR RELIEF

(Breach of Fiduciary Duty)—All Management Defendants

256. With respect to the allegations contained in paragraph 256 of the Complaint, Defendant admits that Plaintiff purports to incorporate by reference all paragraphs of the Complaint. Defendant incorporates each and every response to Plaintiff's allegations as stated in this Answer.

257. With respect to the allegations contained in paragraph 257 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

258. With respect to the allegations contained in paragraph 258 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

259. With respect to the allegations contained in paragraph 259 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

260. With respect to the allegations contained in paragraph 260 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

261. With respect to the allegations contained in paragraph 261 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

262. With respect to the allegations contained in paragraph 262 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

263. With respect to the allegations contained in paragraph 263 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

264. With respect to the allegations contained in paragraph 264 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

SECOND CLAIM FOR RELIEF

(Violation of Utah, Nevada, California, and Arizona Securities Law—Utah Code Ann. §§ 61-1-1 and 61-1-22; Nev. Rev. Stat. §§ 90.570 and 90.660; California Corporations Code §§ 25401, 25501, and 25504; and Ariz. Rev. Stat. §§ 44-1991 and 44-2001)—All Management Defendants

265. With respect to the allegations contained in paragraph 265 of the Complaint, Defendant admits that Plaintiff purports to incorporate by reference all paragraphs of the

Complaint. Defendant incorporates each and every response to Plaintiff's allegations as stated in this Answer.

266. With respect to the allegations contained in paragraph 266 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

267. With respect to the allegations contained in paragraph 267 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

268. With respect to the allegations contained in paragraph 268 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

269. With respect to the allegations contained in paragraph 269 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

270. With respect to the allegations contained in paragraph 270 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

271. With respect to the allegations contained in paragraph 271 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

272. With respect to the allegations contained in paragraph 272 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

273. With respect to the allegations contained in paragraph 273 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

274. With respect to the allegations contained in paragraph 274 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

275. With respect to the allegations contained in paragraph 275 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

276. With respect to the allegations contained in paragraph 276 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required.

Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

277. With respect to the allegations contained in paragraph 277 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

278. With respect to the allegations contained in paragraph 278 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

279. With respect to the allegations contained in paragraph 279 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

280. With respect to the allegations contained in paragraph 280 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

281. With respect to the allegations contained in paragraph 281 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

282. With respect to the allegations contained in paragraph 282 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

THIRD CLAIM FOR RELIEF

(Recovery of Amounts Paid by Investors Under Utah Code Ann. §§ 61-1-3 & 61-1-22, Cal. Corp.

Code §§ 25210 and 25501.5, and Nev. Rev. Stat. §§ 90.310) – Austin

283. With respect to the allegations contained in paragraph 283 of the Complaint, Defendant admits that Plaintiff purports to incorporate by reference all paragraphs of the Complaint. Defendant incorporates each and every response to Plaintiff's allegations as stated in this Answer.

284. With respect to the allegations contained in paragraph 284 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

285. With respect to the allegations contained in paragraph 285 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

286. With respect to the allegations contained in paragraph 286 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

287. With respect to the allegations contained in paragraph 287 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

FOURTH CLAIM FOR RELIEF

(Civil Conspiracy) – All Management Defendants

288. With respect to the allegations contained in paragraph 288 of the Complaint, Defendant admits that Plaintiff purports to incorporate by reference all paragraphs of the Complaint. Defendant incorporates each and every response to Plaintiff's allegations as stated in this Answer.

289. With respect to the allegations contained in paragraph 289 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

290. With respect to the allegations contained in paragraph 290 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

291. With respect to the allegations contained in paragraph 291 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

292. With respect to the allegations contained in paragraph 292 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

FIFTH CLAIM FOR RELIEF

(Violation of State RICO Laws – Utah Code Ann. §§ 76-10-1605(1)-(2) and NRS § 207.470) –

All Management Defendants – [STAYED PURSUANT TO COURT ORDER]

293. With respect to the allegations contained in paragraph 293 of the Complaint, Defendant admits that Plaintiff purports to incorporate by reference all paragraphs of the Complaint. Defendant incorporates each and every response to Plaintiff's allegations as stated in this Answer.

294. With respect to the allegations contained in paragraph 294 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

295. With respect to the allegations contained in paragraph 295 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

296. With respect to the allegations contained in paragraph 296 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

297. With respect to the allegations contained in paragraph 297 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

298. With respect to the allegations contained in paragraph 298 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

299. With respect to the allegations contained in paragraph 299 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

300. With respect to the allegations contained in paragraph 300 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

301. With respect to the allegations contained in paragraph 301 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

302. With respect to the allegations contained in paragraph 302 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required.

Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

SIXTH CLAIM FOR RELIEF

(Disallowance of Claims—11 U.S.C. § 502)—All Defendants

303. With respect to the allegations contained in paragraph 303 of the Complaint, Defendant admits that Plaintiff purports to incorporate by reference all paragraphs of the Complaint. Defendant incorporates each and every response to Plaintiff's allegations as stated in this Answer.

304. With respect to the allegations contained in paragraph 304 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

305. With respect to the allegations contained in paragraph 305 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

SEVENTH CLAIM FOR RELIEF

(Subordination—11 U.S.C. § 510(c))—All Defendants

306. With respect to the allegations contained in paragraph 306 of the Complaint, Defendant admits that Plaintiff purports to incorporate by reference all paragraphs of the Complaint. Defendant incorporates each and every response to Plaintiff's allegations as stated in this Answer.

307. With respect to the allegations contained in paragraph 307 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

308. With respect to the allegations contained in paragraph 308 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

309. With respect to the allegations contained in paragraph 309 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

EIGHTH CLAIM FOR RELIEF

(Constructive Trust)—All Defendants

310. With respect to the allegations contained in paragraph 310 of the Complaint, Defendant admits that Plaintiff purports to incorporate by reference all paragraphs of the Complaint. Defendant incorporates each and every response to Plaintiff's allegations as stated in this Answer.

311. With respect to the allegations contained in paragraph 311 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

312. With respect to the allegations contained in paragraph 312 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

313. With respect to the allegations contained in paragraph 313 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

314. With respect to the allegations contained in paragraph 314 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

315. With respect to the allegations contained in paragraph 315 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

NINTH CLAIM FOR RELIEF

(Unjust Enrichment and Disgorgement)—All Defendants

316. With respect to the allegations contained in paragraph 316 of the Complaint, Defendant admits that Plaintiff purports to incorporate by reference all paragraphs of the Complaint. Defendant incorporates each and every response to Plaintiff's allegations as stated in this Answer.

317. With respect to the allegations contained in paragraph 317 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

318. With respect to the allegations contained in paragraph 318 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

319. With respect to the allegations contained in paragraph 319 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

320. With respect to the allegations contained in paragraph 320 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

321. With respect to the allegations contained in paragraph 321 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required. Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

322. With respect to the allegations contained in paragraph 322 of the Complaint, the paragraph purports to state legal conclusions, and thus no responsive pleading is required.

Nonetheless, Defendant denies the allegations and, to the maximum extent possible and permissible, reserves their rights to present arguments and evidence to the contrary.

VII. PRAYER FOR RELIEF

With respect to the Plaintiff's prayer for relief contained in paragraphs A-K, no response is required. To the extent any response is required to Plaintiff's prayer for relief, Defendant denies each and every allegation contained therein.

VIII. JURY DEMAND

Defendant admits that Plaintiff purports to demand a jury trial.

AFFIRMATIVE DEFENSES

Defendant alleges the following separate and affirmative defenses to the Complaint, and in so doing, does not assume the burden to establish any fact or proposition necessary to that affirmative defense where that burden is properly imposed on Plaintiff.

FIRST AFFIRMATIVE DEFENSE

The Amended Complaint fails to state a claim upon which relief may be granted.

SECOND AFFIRMATIVE DEFENSE

Plaintiff has failed to plead its claims against Defendant, or their predicate acts, with particularity as the allegations in the Amended Complaint fail to comply with Fed. R. Civ. P. 9(b) as allegations of alleged fraud or mistake are not pleaded with sufficient particularity, including but not limited to shotgun pleading, group pleading, particular allegations to establish de facto officer/director status (control, color of, exercise).

THIRD AFFIRMATIVE DEFENSE

Defendant is not liable to Plaintiff because he did not make any false or misleading statements of material fact or omission of material fact. The allegations do not attribute the statement to Defendant through adoption, implied representation or otherwise.

FOURTH AFFIRMATIVE DEFENSE

Defendant is not liable to Plaintiff because any alleged misstatements or omissions by Defendant were forward-looking statements, contained meaningful and sufficient cautionary language and risk disclosure (be speaks caution doctrine), and/or statements of corporate optimism. Defendant is not liable to Plaintiff because any alleged misrepresentations or omissions for which the Defendant is allegedly responsible was not material, including but not limited to, the general rule that internal corporate mismanagement does not constitute a material omission as Plaintiff may not bootstrap a fiduciary duty case into a securities fraud claim.

FIFTH AFFIRMATIVE DEFENSE

Defendant is not liable to Plaintiff because he had no legally cognizable duty, without which there can be no liability as alleged by Plaintiff, including but not limited to, the duty disclose or duty to revise, update and/or correct any facts allegedly not disclosed. Defendant is not liable under the fraud by hindsight doctrine.

SIXTH AFFIRMATIVE DEFENSE

Plaintiff lacks standing, including prudential standing, to maintain some or all of his claims. Specifically, Plaintiff lacks standing to assert claims on behalf of the alleged investor assignors and does not allege assignments as required. Further, Plaintiff lacks standing to bring the alleged assigned claims because: (i) the assignment do not exist or are invalid; (ii) some investors, that Plaintiff alleges to possess the claims therefrom, did not assign their claims to

Plaintiff; (iii) alleged assigning investors did not assign claims brought by Plaintiff or assign claims against ██████; (iv) alleged assigning investors could not assign their claims pursuant to agreements executed by such individuals; and (v) Plaintiff does not hold the property rights or securities alleged to have been assigned.

SEVENTH AFFIRMATIVE DEFENSE

Defendant acted at all times in good faith and had no knowledge, and were not reckless in not knowing, that any alleged statement or omission was false or misleading. The claims in the Complaint are barred because defendants and/or other persons alleged misstatements were made in good faith and with genuine belief and had a reasonable factual or historical basis, or were otherwise non-actionable forward-looking statements or statements of corporate optimism. Defendant cannot be held liable as a control person if he acted in good faith and did not directly or indirectly induce any act or acts constituting a primary violation. Defendant is not liable to Plaintiff because he had, after reasonable and diligent investigation, reasonable grounds to believe, and did believe in good faith, at the time that the relevant PPM was effective, that the statements contained therein were accurate and that there were no misstatements of material fact or omissions of material fact that were necessary to make the statements therein not misleading. Plaintiff's claims for "control person" liability are barred in whole or in part because Plaintiff cannot establish the primary liability necessary to support such claims.

EIGHTH AFFIRMATIVE DEFENSE

Defendant did not know, and in the exercise of reasonable care, could not have known, of the untruths or omissions Plaintiff alleges are contained in the PPMs or were otherwise made to the alleged assigning investors by Defendant.

NINTH AFFIRMATIVE DEFENSE

Defendant are not liable to the extent the acts or omissions alleged in the Complaint relate to portions of the PPMs reviewed and/or drafted by experts retained to assist in preparing the PPMs. In any alleged conduct of Defendant related to the PPMs, Defendant was entitled to, and did, reasonably and in good faith, rely upon the work and conclusions of other professionals and experts.

TENTH AFFIRMATIVE DEFENSE

Defendant is not liable to Plaintiff because Plaintiff's alleged losses were not actually or proximately caused by Defendant.

ELEVENTH AFFIRMATIVE DEFENSE

The conduct of persons and/or entities other than the Defendant was a superseding or intervening cause of any damage, loss, or injury sustained by Plaintiff or its purported assigning investors.

TWELFTH AFFIRMATIVE DEFENSE

Defendant is not liable to Plaintiff to the extent that the alleged misstatements and omissions attributed to Defendant in the Complaint was not made in connection with the purchase or sale of any securities by Plaintiff, or any of its purported assignors.

THIRTEENTH AFFIRMATIVE DEFENSE

Plaintiff is estopped, in whole or in part, from asserting the claims set forth in the Complaint.

FOURTEENTH AFFIRMATIVE DEFENSE

Plaintiff's claims against Defendant are barred in whole or in part because of the lack of loss causation. Plaintiff has not suffered any injury or harm as a result of the actions of the Defendant alleged in the Complaint.

FIFTEENTH AFFIRMATIVE DEFENSE

Plaintiff's claims against Defendant are barred in whole, or in part, because the depreciation in the market price of securities resulted from factors other than the misstatements or omissions, or any act or failure to act, alleged in the Complaint under the doctrine of negative causation.

SIXTEENTH AFFIRMATIVE DEFENSE

Plaintiff's claims against Defendant are barred in whole or in part because of the lack of transaction causation.

SEVENTEENTH AFFIRMATIVE DEFENSE

Other parties not named in the Complaint may be indispensable parties to this action.

EIGHTEENTH AFFIRMATIVE DEFENSE

Plaintiff's claims against the Defendant are barred in whole or in part because Plaintiff did not reasonably rely on the relevant PPMs alleged in the Complaint to be materially false and misleading.

NINETEENTH AFFIRMATIVE DEFENSE

Plaintiff's claims against Defendant are barred in whole or in part by his, or those of the alleged assignors, omissions, and/or negligence. Plaintiff, or his alleged assigning investors, have failed to reasonably mitigate the damages alleged in the Complaint, including but not limited to, that Plaintiff, or the alleged assigning investors, failed to undertake a prompt and reasonable

investigation of CAREIC's business and financial condition, and such a prompt and reasonable investigation would have prevented damages, if any.

TWENTIETH AFFIRMATIVE DEFENSE

Plaintiff's claims against Defendant are barred in whole or in part because of the contribution of or the comparative fault and contributory negligence of Plaintiff, its alleged assigning investors, or other entities or persons.

TWENTY-FIRST AFFIRMATIVE DEFENSE

Plaintiff's claims against Defendant are barred in whole or in part because the alleged damages or other injuries were caused solely by the acts or omissions of the Plaintiff's or others over which the Defendant had no control. Further, should Plaintiff recover damages from Defendant, Defendant is entitled to indemnification and/or contribution, either in whole or in part, from all persons or entities whose negligence and/or fault proximately contributed to Plaintiff's damages, if any.

TWENTY-SECOND AFFIRMATIVE DEFENSE

Plaintiff's damages, if any, are due to the negligence, or other acts or omissions, of persons or entities other than the Defendant; however, in the event that a finding is made that negligence exists on the part of Defendant, which proximately contributed to Plaintiff's damages alleged in the Complaint, the Defendant's liability, if any, should be reduced, at least, by an amount proportionate to the amount by which the comparative negligence, or other acts or omissions, of such other persons or entities contributed to the happening of the incident and alleged damages upon which Plaintiff seeks recovery.

TWENTY-THIRD AFFIRMATIVE DEFENSE

If any false or misleading statement was made, or if any material fact required to be stated or necessary to make any statement made not misleading was omitted, which the Defendant denies, and if the Plaintiff, or any of the alleged assignors thereto, was aware of that statement or omission (actual or constructive knowledge), then Plaintiff cannot prevail.

TWENTY-FOURTH AFFIRMATIVE DEFENSE

Plaintiff's claims against the Defendant are barred in whole or in part by laches, equitable estoppel, waiver, ratification or other related equitable doctrine.

TWENTY-FIFTH AFFIRMATIVE DEFENSE

Plaintiff's claims against Defendant are barred in whole or in part because of Plaintiffs' inequitable conduct and unclean hands.

TWENTY-SIXTH AFFIRMATIVE DEFENSE

The Complaint should be dismissed because personal jurisdiction is not proper.

TWENTY-SEVENTH AFFIRMATIVE DEFENSE

The Complaint should be dismissed because this Court lacks subject matter jurisdiction, the federal claims are subject to dismissal and supplemental jurisdiction does not exist.

TWENTY-EIGHTH AFFIRMATIVE DEFENSE

At least some investors, and the Plaintiff as the alleged assignee thereof, are estopped from bringing claims against Defendant because they took a theft loss deduction and, in doing so, represented that they did not expect to obtain any recovery from any other source. Defendant is entitled to an offset to the fullest extent permitted by law, including but not limited to, any applicable benefits received by Plaintiff, the Debtors, trusts, alleged assigning investors, in the bankruptcy proceedings, tax benefits or otherwise.

TWENTY-NINTH AFFIRMATIVE DEFENSE

The claims in the Complaint are barred by the applicable statutes of limitation and/or statute of repose.

THIRTIETH AFFIRMATIVE DEFENSE

The claims in the Amended Complaint are barred by the doctrine of in pari delicto.

THIRTY-FIRST AFFIRMATIVE DEFENSE

Plaintiff as “assignee” lacks standing to assert any claims seeking rescission or which constitute claims that necessarily involve allegations involving alleged wrongdoing in the purchase or sale of securities.

THIRTY-SECOND AFFIRMATIVE DEFENSE

Defendant did not act as a fiduciary, in a fiduciary capacity, or is in a fiduciary relationship with CAREIC or alleged assigning investors, and all claims based upon an alleged fiduciary duty are barred. Officers and directors of CAREIC owed no fiduciary duty to the members or preferred unit holders of the entities that CAREIC managed.

THIRTY-THIRD AFFIRMATIVE DEFENSE

Plaintiff’s alleged assignors all affirmatively acknowledged in writing that they understood the risks of the investments, including that they could afford to lose their investment.

THIRTY-FOURTH AFFIRMATIVE DEFENSE

Some or all of the claims in the Complaint are barred by the agent’s immunity rule as duly acting agents and employees cannot be held liable for conspiring with their own principals.

THIRTY-FIFTH AFFIRMATIVE DEFENSE

The claims in the Complaint are barred because defendants were justified in doing any and/or all of the acts alleged in the Complaint, including but not limited to the business judgment rule.

THIRTY-SIXTH AFFIRMATIVE DEFENSE

The claims in the Complaint are barred to the extent Plaintiff's allegations are based on alleged projections, forecasts or predictions of future events or results, such projections, forecasts, or predictions were not false when made, were made in good faith, had a reasonable basis when made, were non-actionable forward-looking statements or statements of corporate optimism, internal forecasts were immaterial and there is no duty to disclose such forecasts.

THIRTY-SEVENTH AFFIRMATIVE DEFENSE

The claims in the Complaint are barred, in whole or in part, because the alleged misleading statements or omissions, if any, were rebutted by contrary information received by Plaintiff and the alleged assigning investors, or that was publicly available or otherwise available to them.

THIRTY-EIGHTH AFFIRMATIVE DEFENSE

The claims in the Complaint are barred because Defendant did not have scienter with respect to the alleged acts, statements or omissions with respect to which the liability of Defendant is asserted, including but not limited to, violations of generally accepted accounting principals that do not create an inference of either knowing or reckless misconduct. Allegations of scienter must relate to the state of mind of Defendant rather than the collective knowledge all of CAREIC's officers, directors or employees.

THIRTY-NINTH AFFIRMATIVE DEFENSE

The claims in the Complaint are barred under the purchaser/seller requirement and the privity requirement. Defendant did not offer or sell the securities to the assigning investors and was not the issuer of the securities.

FORTIETH AFFIRMATIVE DEFENSE

Plaintiff's claims are barred, in whole or in part, by a prior settlement agreement through which Plaintiff knowingly, intentionally, and inequitably induced the Defendant to sign that Defendant reasonably believed, based upon the terms thereof and the representations made by the Plaintiff, would result in a full resolution of all claims by the Plaintiff, including those of the alleged assigning investors. Defendant relied upon the settlement agreement, performed all material terms thereof (or such performance was excused), and Plaintiff breached his obligations thereunder, which such performance was not waived or otherwise excused.

FORTY-FIRST AFFIRMATIVE DEFENSE

Plaintiff's claims are barred or diminished, in whole or in part, by the express, implied or statutory rights of indemnification against Plaintiff, and as the assignee of the alleged assigning investors, including but not limited to, the indemnification provisions in the amended operating agreement of CAREIC, the terms of the relevant subscription agreements executed by the alleged assigning investors and the California Labor Code, which offset, including attorney's fees and costs incurred by Defendant, or otherwise limit the obligations or liability of Defendant. Defendant acted at the direction of his employer, did act lawfully at all times, or believed in good faith, or on the opinion of his employer's counsel, that his conduct was lawful at all times.

FORTY-SECOND AFFIRMATIVE DEFENSE

Defendant received transfers for value, in good faith, and without knowledge of the voidability thereof. Further, Plaintiff is not entitled to any restitution or the amount of any such restitution must be reduced, because Defendant has not wrongfully obtained or retained money or property that should be returned to Plaintiff or any third person and Defendant does not have money that in equity or good conscience that belongs to Plaintiff and further alleges that Defendant is legally or equitably entitled to retain the money that Plaintiff claims was transferred to him.

FORTY-THIRD AFFIRMATIVE DEFENSE

Some or all of the claims in the Complaint are barred based on demand futility as certain claims are may only be brought by the corporation.

FORTY-FOURTH AFFIRMATIVE DEFENSE

Defendant adopts by reference any applicable defense pled by any other defendant not expressly set forth herein.

FORTY-FIFTH AFFIRMATIVE DEFENSE

Plaintiff would be unjustly enriched if he were allowed to recover anything in this action.

FORTY-SIXTH AFFIRMATIVE DEFENSE

Plaintiff's claims for punitive or exemplary damages are barred in that Plaintiff has failed to plead facts sufficient to support allegations of willful and wanton misconduct, malice, oppression or fraud.

FORTY-SEVENTH AFFIRMATIVE DEFENSE

Any recovery against Defendant, on behalf of alleged assigning investors, is barred or limited because such investors breached the representations and warranties contained in their respective subscription agreements and the documents incorporated thereby.

ADDITIONAL AFFIRMATIVE DEFENSES

Defendant may have additional, as yet unidentified defenses available. Defendant believes the Complaint fails to plead with particularity as required and the lack of particularity makes it impossible for Defendant to determine at this time whether certain additional affirmative defenses may exist. Defendant reserve the right to assert additional defenses that are revealed by further investigation or through discovery. Defendant further denies that this lawsuit should proceed based on the alleged assignment of claims and Defendant may have other affirmative defenses against the individual alleged assigning investors, and thus reserves the right to assert such defenses in a timely fashion after the facts to support such defenses become known to him.

RELIANCE UPON JURY DEMAND

Defendant hereby asserts his reliance upon the jury demand made by the Plaintiff in this case.

COUNTERCLAIMS OF DEFENDANT [REDACTED]

Defendant and Counterclaimant [REDACTED] [REDACTED] [REDACTED])
alleges the following Counterclaims against Plaintiff and Counter-defendant D. RAY STRONG,
as Liquidating Trustee of the Consolidated Legacy Debtors Liquidating Trust, the Castle Arch

² [REDACTED] is a non-entity, but rather [REDACTED] previously maintained a “doing business as” bank account registered in such name.

Opportunity Partners I, LLC Liquidating Trust and the Castle Arch Opportunity Partners II, LLC Liquidating Trust (“Strong”):

1. ██████ re-alleges and incorporates by reference its answers to the paragraphs of the Amended Complaint (“Complaint”) filed by Strong and ██████’s defenses, as if fully set forth herein.

I. PARTIES

2. Defendant and Counterclaimant ██████ is a resident of the State of California.

3. According to the Complaint, Plaintiff is a resident of the State of Utah and is the estate representative for the Debtors and the Liquidating Trustee for the Trusts.³

II. JURISDICTION AND VENUE

4. These claims are asserted under Rule 13 of the Federal Rules of Civil Procedure, and under the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202. This Court has subject matter jurisdiction over the subject matter of this counterclaim pursuant to 28 U.S.C. § 1367(a), and because the Counterclaims are so related to the claims in this action as to form part of the same case or controversy under Article III of the United States Constitution.

5. This Court has personal jurisdiction over Strong, because Strong filed the instant action in this Court.

6. Venue is proper in this Court under 28 U.S.C. §§ 1391(b), 1391(c) and 1391(d) because Strong filed suit against ██████ in this Court, and ██████ resides in this District.

³ Incorporating the definitions of the introductory paragraph of the Complaint.

III. GENERAL ALLEGATIONS

7. After faithfully serving as the Managing Director of Business Development from the formation of Castle Arch Real Estate Investment Company, LLC (“CAREIC”) in April 2004, until his resignation on or about June 2009, ██████ is forced to defend himself in an action instituted more than five years after his resignation, not because Strong actually believes based on an investigation of the corporate records that have been in his possession more than two years prior to filing the lawsuit, that ██████ actually possessed the continuous control and functions to be a “de facto officer and member of CAREIC’s Board from its inception in 2004 until appointment of a Receiver in 2011[,]”⁴ but alleging so makes the story of mismanagement at CAREIC more compelling due to the publicly disclosed order of the Securities and Exchange Commission (“SEC”) nearly 15 years ago that “bar[s] ██████ from association with a broker-dealer and from participation in any penny stock offering.” *See* In Re Clawson, Release No. 48143 (July 9, 2003).⁵

8. These counterclaims request relief in the form of a declaration that the tolling agreement forced down ██████’s throat by the highly skilled counsel to Strong that refused ██████’s reasonable and fundamentally fair request for a few days to seek advice of counsel is void, unenforceable, revoked or otherwise invalid.

A. Communication Demanding Unrepresented Party Execute Tolling Agreement Refusing Fundamentally Fair Request for Advice of Counsel

9. To keep the compelling storyline in the Complaint, Strong was not only willing to apply undue pressure and influence, in contravention of public policy, as the “stick” to force

⁴ Even the alleged transfers attached as Exhibit 2 to the Complaint do not extend beyond 2009.

⁵ Available at <https://www.sec.gov/litigation/opinions/34-48143.htm>.

█████ sign on the dotted line, but also and promise a potential settlement and quick resolution as the “carrot,” as on information and belief, Strong knew that █████ spent approximately eight years of his life under the umbrella of litigation associated with the prior SEC order.

10. On March 7, 2013, Strong and his counsel contacted █████ n, with the “understanding that you are not represented by a lawyer in connection with the Castle Arch matters[.]” that attached a draft Tolling Agreement along with the threat of filing a civil suit, stating:

We are currently preparing a Complaint against you and others...and unless we are able to enter tolling agreements...would expect to file no later than October 15th.

...a Tolling Agreement with you...**would allow [us] time to discuss, and hopefully resolve the Trustee’s claims** without the necessity of filing a Complaint[.]

I need to hear from you no later than the end of this week, and we will need to have entered agreements no later than next Monday (10/14). If I do not hear from you, a Complaint will be filed by October 15th.

If you have any questions, please give [Strong’s counsel] a call.

(emphasis added).

11. On October 12, 2013, five days later and prior to █████ responding, Strong and his counsel sent a draft complaint to █████ and nine other potential parties (or their counsel) informing all of them that four individuals, including “█████, ...[has] not returned the signed tolling agreements. If we do not receive executed tolling agreements by close of business Monday, our intention is to file the Complaint on Tuesday.”

12. On October 14, 2013, the notice and threat to other defendants had its desired outcome – [REDACTED] was contacted by other potential defendants out their concern (all or none must sign) and executed the Tolling Agreement.

13. Two days later, on October 16, 2013, counsel to Strong again emailed [REDACTED] demanding “an additional Tolling Agreement for Hybrid Advisors Group” and again, informed [REDACTED] to contact him if he has “any comments or questions regarding these Tolling Agreements. Otherwise, we’d appreciate having them *signed and returned today or tomorrow.*” (emphasis in original).

14. [REDACTED] responded the same day, October 16, 2013, stating “I am not sure I understand either of” the Tolling Agreements and “**I currently have no counsel for advice, so I will seek that now and hope to get back with you next week.**” (emphasis added).

15. **Despite this fundamentally fair and reasonable request to seek advice of counsel,** less than 24 hours later, on October 17, 2013, counsel to Strong **refused and demanded execution in less than three hours:**

Today is our deadline to file claims absent an agreement tolling the deadline.

At this time, we have not yet received an executed version of the attached tolling agreement for [REDACTED] which is an entity that received monies from the Castle Arch entities prior to their bankruptcy.

Accordingly, **if we do not have executed versions of these agreements back by 5:00 pm (Mountain) tonight, we will be forced to file a lawsuit against [REDACTED] seeking to recover the transfers that were made by the debtors to it.**

16. Despite promises of a potential settlement and quick resolution to induce ██████████ to agree to the tolling agreement, as further documented in the agreement itself (see below), subsequent to acquiring ██████████'s signature, Strong did not engage in any substantive dialogue with ██████████ directly or through his counsel indirectly, during its term (other than through a mediation with all parties approximately six months later wherein Strong nearly walked in the first hour), relating to resolution without the necessity of further litigation. On information and belief, Strong and his counsel knew such promise was false was made and had no intention of resolving the matter prior to filing the lawsuit against ██████████.

B. Terms of the One-Sided Tolling Agreement Forced Upon Unrepresented ██████████ without Advice of Counsel or Meaningful Choice

17. The Tolling Agreement was entered into as of October 17, 2013 between ██████████ and Strong (the "Tolling Agreement").

18. The Tolling Agreement was drafted by Strong and his highly skilled counsel and was not subject to input or any negotiation with ██████████, who Strong knew did not have counsel.

19. The Tolling Agreement demonstrates Strong's promise and inducement of a potential resolution with litigation providing that "in consideration of the parties' desire to negotiate and attempt to resolve the Tolled Claims without the necessity of further litigation, the parties desire to enter into this Agreement tolling the running of any applicable statute of limitations as to the [unspecified] Tolled Claims."

20. The Tolling Agreement **did not inform ██████████ of the potential claims** that Strong intended to bring against ██████████, only that Strong "has or may have Claims and Causes of Action and Individual Claims against [██████████] arising out of or relating to [██████████]'s

transactions, dealings, or connections with CAREIC or the CAREIC Affiliates (collectively, the ‘Tolled Claims’).”

21. The Tolling Agreement **did not allow** ██████████ **to revoke his agreement** thereto, even if he subsequently sought advice of counsel, and was bound to the one-sided agreement until the earlier of Strong’s decision to file suit or its lapse 6 months later. However, Strong could opt-out at any time by simply “fil[ing] a lawsuit against” ██████████.

22. While ██████████ was unrepresented and without legal knowledge of the significance thereto, the Tolling Agreement provided that it was to be “construed, interpreted and enforced in accordance with the laws of the state of Utah,” not California, which arguably may be at least familiar to ██████████.

23. While ██████████ resided in California and was contacted in California through his personal email, in which he corresponded with Strong through his home computer, the Tolling Agreement nonetheless provided **a forum selection clause that the “United States Bankruptcy Court for the District of Utah shall have exclusive jurisdiction** to resolve any and all disputes relating to this Agreement, including, but not limited to, its interpretation and enforcement.”

██████████ was unrepresented and without legal knowledge of the significance of a venue selection clause or that executing the Tolling Agreement could force him to travel almost 700 miles for any disputes, including seeking to revoke its terms, which would normally be a customary provision upon simple notice.

IV. COUNTERCLAIMS AGAINST COUNTER-DEFENDANT STRONG

FIRST COUNTERCLAIM FOR RELIEF

(Declaratory Relief re: Unenforceable)

24. ██████████ incorporates by reference each of its allegations in Paragraphs 1 through 23, above.

25. An actual controversy has arisen and now exists between ██████████ and Strong regarding the whether the Tolling Agreement is enforceable. ██████████ contends, and Strong denies, that the Tolling Agreement is completely unenforceable.

26. ██████████ contends, and Strong denies, that the Tolling Agreement should be unenforceable under the unconscionability doctrine as the factual allegations demonstrate the absence of a meaningful choice on the part of ██████████ together with terms that are unreasonably favorable to Strong, that no relief from the statute of limitations relating to the claims made in the Complaint may be obtained under the Tolling Agreement by the Strong by reason of § 1670.5 of the California Civil Code (and comparable common and statutory law in the State of Utah), the statutory and common law prohibitions on enforcement of unconscionable contracts (or alternatively, as to contracts of adhesion), the prohibition on receipt of benefits accruing through unconscionable conduct, and the unconscionability of the Strong's acts and claims.

27. ██████████ requests that this Court declare the Tolling Agreement to be unconscionable, procedurally and substantively, and respectfully seeks judgment as hereinafter set forth.

28. ██████████ contends, and Strong denies, that no relief from the statute of limitations relating to the claims made in the Complaint may be obtained under the Tolling Agreement by the Strong by reason of doctrine of undue influence (or undue duress) which involves an

application of excessive strength by a dominate subject against a servient object (unfair advantage) and the common law prohibitions on enforcement of a contract that is the result of undue influence.

29. ██████ requests that this Court declare the Tolling Agreement to be a result of undue influence, and respectfully seeks judgment as hereinafter set forth.

SECOND COUNTERCLAIM FOR RELIEF

(Declaratory Relief re: Rescinded, Void)

30. ██████ incorporates by reference each of its allegations in Paragraphs 1 through 29, above.

31. An actual controversy has arisen and now exists between ██████ and Strong regarding the whether the Tolling Agreement is enforceable. ██████ contends, and Strong denies, that the Tolling Agreement is rescinded or void pursuant to Cal. Civ. Code § 1689 as: (i) ██████'s consent thereto was given by mistake of law, obtained through duress, fraudulent inducement, (ii) that the consideration for the obligations in the Tolling Agreement completely fails because the parties did not attempt “to negotiate and attempt to resolve the Tolled Claims without necessity of further litigation” and the consideration is otherwise void by filing the lawsuit without such attempts, and (iii) the agreement is unlawful or against public interest based on violations of rules of ethics⁶ and the prohibition of unlawful and unfair business practices and/or acts under Cal. Bus. & Prof. Code §§ 17200 et seq.

⁶ The coercion and pressure to execute the Tolling Agreement (and proposing a course of conduct) arguably violates ethics rules making it invalid, such as Rule 4.3 of the Utah Rules of Professional Conduct and Rule 5-100 of the California Rules of Professional Conduct.

32. [REDACTED] requests that this Court declare the Tolling Agreement to be rescinded or void, and respectfully seeks judgment as hereinafter set forth.

PRAYER FOR RELIEF

WHEREFORE, Defendant pray that this Court enter judgment as follows:

1. That judgment be entered in favor of Defendant;
2. That Plaintiff take nothing from Defendant by the Complaint, and that the same be dismissed with prejudice;
3. Declaring that the Tolling Agreement is unenforceable;
4. Declaring that the Tolling Agreement is rescinded or void;
5. For costs, attorneys' fees, expert witness fees, and court costs incurred herein; and
6. For such other and further relief as this Court deems just and proper.

EVANS & KOB, PC



DATED: January 5, 2018

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Admitted Pro Hac Vice

Counsel to Defendants [REDACTED]
[REDACTED]

-and-

[REDACTED]

[REDACTED]

CERTIFICATE OF SERVICE

I hereby certify that on January 5, 2018, I electronically filed the foregoing with the Clerk of Court using the CM/ECF system, which sent notification of such filing to the following:

[REDACTED] [REDACTED]
[REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]
[REDACTED]

[REDACTED] [REDACTED]
[REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]
[REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]
[REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]
[REDACTED]

[REDACTED] [REDACTED]
[REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

and I hereby certify that I have mailed the document by United States Mail, first-class postage prepaid, to the following non-CM/ECF participants:

(No manual recipients)

/s/ Brett G. Evans