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FILED
JAN 11 2000
UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re:

CHARLES THOMAS BROWN d/b/a TOM BROWN PREFERRED TRUST COMPANY,

Debtors,

MAUREEN GAUGHAN, Chapter 7 Trustee

Plaintiff

ANN AKAMINE; DAVE ANDRUCH; GAIL ARMSTRONG; JOHN ARTERBURN; ROBIN L. ARTERBURN; WADE ARTERBURN; LORI B. ARTERBURN; ROBERT ANGER; HAROLD BEASLEY; LISA BEASLEY; LOUISE R. BEKINS; DAVID W. BENNETT; VICKI BENNETT; RAQUEL BERNABIB; TEUNIS J. BLADERGROEN; WILLIAM BLANKEMEIR; DAVID BOYD; CHARLES THOMAS BROWN; THE ESTATE OF EDWIN L. BROWN; JOAN BROWN; MARSHA BROWN; DARRYL BURNS; MARY J. BURNS; DAN BURT; COLLEEN BURT; NANCY CAIN; ELLEN A. CALDWELL; CECILIA CHANDLER; ANDREW CHARNOKI; FAYE CHARNOKI; PETER J. CHRISTIE; THERESA N. CHRISTIE; BRUCE CHURCH; WILMA A. CHRUCH; RONALD CORNET; JOY COVEY; STEVEN COVEY; KATHLEN CRAMER; JEANNE A. DAVIS; TED S. DAVIS; DAVID DEARDORF; EILEEN DEARDORF; GEORGE E. DEWITTE; GEORGENE M. DEWITTE; CHRISTINE DOMINGO; JIM DREILING; SHIRLEY DUSINBERRE; GARY EHLENBERGER; MARAYA

Proceedings Under Chapter 7

No. 97-14228 PHX GBN

Adversary Proceeding
No.: 99-00746

ANSWER OF JOHN GEORGE, VIRGIL GEORGE AND THE GEORGE FAMILY TRUST

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Defendants.

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For their answer to the Complaint, Answering Defendants John George, Virgil George and the George Family Trust (herein "Defendants"), by and through undersigned counsel, hereby answer the allegations of the Complaint as follows:

1. Defendants admit the allegations of paragraph 1 of the Complaint.

2. Defendants admit the allegations of paragraph 2 of the Complaint.

3. Defendants admit the allegations of paragraph 3 of the Complaint.

4. Defendants admit the allegations of paragraph 4 of the Complaint.

5. Defendants admit the allegations of paragraph 5 of the Complaint.

6. Defendants admit the allegations of paragraph 6 of the Complaint.

7-73. With respect to the allegations contained in paragraphs 7 - 73 of the Complaint, Defendants lack knowledge and/or information sufficient to form a belief and therefore deny such allegations.

74-76. Defendants admit the allegations contained in paragraphs 74 through 76 of the Complaint.

77-265. Defendants lack information and knowledge sufficient to form a belief with respect to the allegations contained in paragraphs 77 through 265 of the Complaint and therefore deny such allegations.

266. Defendants deny the allegations contained in paragraph 266 of the Complaint.

267. With respect to allegations contained in paragraph 267 of the Complaint, Defendants lack knowledge and/or information sufficient to form a belief and therefore deny such allegations.

268. With respect to the allegations contained in paragraph 268 of the Complaint, Defendants deny such allegations, except that answering Defendants admit that they received

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payments from the Preferred Trust Company in repayments of loans made by answering Defendants to Preferred Trust.

269-305. With respect to the allegations contained in paragraphs 269 through 305 of the Complaint, Defendants lack knowledge and/or information sufficient to form a belief and therefore deny such allegations. Defendants further deny that they had any participation or involvement in any alleged Ponzi scheme or knowledge of same, or that they received any fictitious profits.

306-309. Defendants deny the allegations contained in paragraphs 306 through 309 of the Complaint.

310. With respect to the allegations made in paragraph 310 of the Complaint, Defendants lack knowledge and/or information sufficient to form a belief and therefore deny such allegations; except Defendants admit that within an eight (8) year period prior to the date of the bankruptcy, Preferred Trust made a loan repayment to each of the Defendants as creditors.

311. Defendants deny the allegations contained in paragraph 311 of the Complaint.

312. With respect to the allegations contained in paragraph 312 of the Complaint, Defendants deny that any of them received payments from Brown within 90 days prior to the Bankruptcy Petition. Defendants lack knowledge or information sufficient to form a belief as to any other persons and therefore deny such allegations as to those other persons.

313-315. With respect to the allegations contained in paragraphs 313 through 315 of the Complaint, Defendants lack knowledge or information sufficient to form a belief and therefore deny such allegations; except that Defendants admit that they received loan repayments from preferred trust in the amounts set forth on Exhibit C to the Complaint.

316-327. With respect to the allegations contained in paragraphs 316 through 327 of the Complaint, Defendants lack knowledge or information sufficient to form a belief and therefore deny

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such allegations. Defendants further affirmatively allege that none of them received payments within a 90 day period prior to the filing of the Bankruptcy Petition and further affirmatively allege that the Trustee is not entitle to recover from them the value of any payments under U.S.C. §§ 547 and 550 of the Bankruptcy Code.

328. With respect to the allegations contained in paragraph 328 of the Complaint, Defendants hereby restate and reallege their responses to paragraphs 1 through 327 of the Complaint as if fully set forth herein.

329. With respect to the allegations contained in paragraph 329 of the Complaint Defendants lack knowledge and/or information sufficient to form a belief and therefore deny such allegations; except that Defendants admit that a payment as set forth on Exhibit C was made to Defendant Virgil George within one year prior to the filing of the Bankruptcy Petition. Defendants further allege that Defendant Virgil George is not an insider.

330-336. With respect to the allegations contained in paragraphs 330 through 336 of the Complaint, Defendants deny such allegations.

337. With respect to the allegations contained in paragraphs 337 of the Complaint, Defendants hereby restate and reallege their responses to the paragraphs 1 through 336 of the Complaint as if fully set forth herein.

338. With respect to the allegations contained in paragraph 338 of the Complaint, Defendants lack knowledge and/or information sufficient to form a belief and therefore deny such allegations; except that Defendant John George admits that a loan repayment was made to him within four years of the filing of the bankruptcy petitions in the amounts set forth on Exhibit C.

339-349. With respect to the allegations contained in paragraphs 339 through 349 of the Complaint, Defendants deny such allegations.

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350. With respect to the allegations contained in paragraph 350 of the Complaint, Defendants hereby restate and reallege their responses to the allegations contained in paragraph 1 through 349 of the Complaint as if fully set forth herein.

351-361. With respect to the allegations contained in paragraphs 351 through 361 of the Complaint, Defendants deny such allegations.

362. With respect to the allegations contained in paragraph 362 of the Complaint, the Defendants restate and reallege their responses to the allegations of paragraphs 1 through 361 of the Complaint as if fully set forth herein.

363-366. With respect to the allegations contained in paragraphs 363 through 366 of the Complaint, Defendants deny such allegations.

367. Defendants hereby deny each and every allegation contained in the Complaint not expressly and affirmatively admitted in Defendants' responses to paragraphs 1 through 366 of the Complaint.

AFFIRMATIVE DEFENSES.

368. Defendants affirmatively allege that Plaintiff's claims are barred by the Statutes of Limitations.

369. Defendants affirmatively allege that the Complaint fails to state a claim.

370. Defendants affirmatively allege that the Complaint fails to comply with Bankruptcy Rule 7009(b).

371. Defendants affirmatively allege that Plaintiff's claims are barred by the doctrine of Unclean Hands.

372. Defendants affirmatively allege that Plaintiff's claims are barred by the doctrine of Estoppel.

373. Defendants affirmatively allege that Plaintiff's claims are barred by the doctrine of Laches.

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374. If any payments were made to Defendants within the 90 days prior to the filing of the Bankruptcy Petition, such payments were payments of debt incurred in the ordinary course of the Defendants' and Debtor's business, were made in the ordinary course of such business, and were based on ordinary business terms.

375. If any payments were made to Defendants by Debtor within the 90 days prior to the filing of the Bankruptcy Petition, such payments were and were intended to be contemporaneous exchanges for new value given to Debtor.

376. Defendants further allege and reserve as further affirmative defenses such other and further affirmative defenses contemplated by Rule 8(c), Federal Rules of the Civil Procedure and Bankruptcy Rule 7008(c), as discovery may reveal herein.

Having fully answered the Complaint, Defendants respectfully request that Plaintiff take nothing by her Complaint, that the Court dismiss the Complaint as to Defendants with prejudice, and that the Court award Defendants their costs and attorney's fees incurred herein.

RESPECTFULLY SUBMITTED this 11th day of January, 2000.

BRYAN CAVE LLP

By: Robert C. Van Voorhees

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ORIGINAL filed with the Court
this 11th day of January, 2000

and one copy hand-delivered this
11th day of January, 2000, to:

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