

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re:

**WOODBRIIDGE GROUP OF COMPANIES,
LLC, et al.,¹**

Debtor.

Chapter 11

Case No. 17-12560-BLS

Jointly Administered

**MICHAEL GOLDBERG, in his capacity as
Liquidating Trustee of the WOODBRIDGE
LIQUIDATION TRUST,**

Plaintiff,

v.

**FRONTIER ADVISORS GROUP LLC and
DAVID NICHOLS,**

Defendants.

Adv. Pro. No. 19-50945-BLS

DEFENDANTS' ANSWER TO ADVERSARY COMPLAINT

Defendants Frontier Advisors Group, LLC (“Frontier”) and David Nichols (“Nichols” and together with Frontier the “Defendants”) answer the adversary complaint (the “Complaint”) of Michael Goldberg, in his capacity as Liquidating Trustee of the Woodbridge Liquidation Trust (the “Liquidating Trustee”), as follows:

¹ The other debtors and the last four digits of their respective federal tax identification numbers are: Woodbridge Group of Companies, LLC (3603) and Woodbridge Mortgage Investment Fund 1, LLC (0172).

NATURE OF ACTION

1. To the extent the allegations in paragraph 1 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

2. To the extent the allegations in paragraph 2 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

3. The Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 3, and they are therefore denied.

JURISDICTION AND VENUE

4. To allegations in paragraph 4 are conclusions of law to which no response is required. The Defendants do not consent to the entry of final judgments by the Court on any counts.

5. To allegations in paragraph 5 are conclusions of law to which no response is required.

PARTIES

The Liquidation Trust

6. The Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 6, and they are therefore denied.

7. The Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 7, and they are therefore denied.

8. The Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 8, and they are therefore denied.

9. The Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 9, and they are therefore denied.

10. The Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 10, and they are therefore denied.

11. To the extent the allegations in paragraph 11 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

12. To the extent the allegations in paragraph 12 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

Defendants

13. Admitted in part, denied in part. It is admitted that Nichols resides in Massachusetts. The remaining allegations in paragraph 13 are denied.

14. To the extent the allegations in paragraph 14 are not conclusions of law to which no response is required, such allegations are denied.

FACTUAL BACKGROUND

The Fraud

15. To the extent the allegations in paragraph 15 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

16. Admitted in part, denied in part. The Defendants admit that they were not registered as broker-dealers with the SEC or state agencies. To the extent the remaining allegations in paragraph 16 are not conclusions of law to which no response is required, the

Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

17. The Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 17, and they are therefore denied.

18. To the extent the allegations in paragraph 18 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

19. To the extent the allegations in paragraph 19 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

The Transfers

20. Admitted in part, denied in part. It is admitted that the Defendants received the Two-Year Transfers. The remaining allegations in paragraph 20 are denied.

21. Admitted in part, denied in part. It is admitted that the Defendants received the Four-Year Transfers. The remaining allegations in paragraph 21 are denied.

FIRST CLAIM FOR RELIEF

22. The Defendants restate and reallege each preceding paragraph as if fully stated herein.

23. The allegations in paragraph 23 are conclusions of law to which no response is required.

24. To the extent the allegations in paragraph 24 are not conclusions of law to which no response is required, such allegations are denied.

25. To the extent the allegations in paragraph 25 are not conclusions of law to which no response is required, it is admitted that Nichols received some of the Two Year Transfers and Frontier received some of the Two Year Transfers.

26. The allegations in paragraph 26 are conclusions of law to which no response is required.

SECOND CLAIM FOR RELIEF

27. The Defendants restate and reallege each preceding paragraph as if fully stated herein.

28. The allegations in paragraph 28 are conclusions of law to which no response is required.

29. To the extent the allegations in paragraph 29 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

30. To the extent the allegations in paragraph 30 are not conclusions of law to which no response is required, it is admitted that Nichols received some of the Two Year Transfers and Frontier received some of the Two Year Transfers.

31. The allegations in paragraph 31 are conclusions of law to which no response is required.

THIRD CLAIM FOR RELIEF

32. The Defendants restate and reallege each preceding paragraph as if fully stated herein.

33. The allegations in paragraph 33 are conclusions of law to which no response is required.

34. To the extent the allegations in paragraph 34 are not conclusions of law to which no response is required, such allegations are denied.

35. To the extent the allegations in paragraph 35 are not conclusions of law to which no response is required, it is admitted that Nichols received some of the Four Year Transfers and Frontier received some of the Four Year Transfers.

36. The Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 36, and they are therefore denied.

37. The allegations in paragraph 37 are conclusions of law to which no response is required.

38. The allegations in paragraph 38 are conclusions of law to which no response is required.

FOURTH CLAIM FOR RELIEF

39. The Defendants restate and reallege each preceding paragraph as if fully stated herein.

40. The allegations in paragraph 40 are conclusions of law to which no response is required.

41. To the extent the allegations in paragraph 41 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

42. To the extent the allegations in paragraph 42 are not conclusions of law to which no response is required, it is admitted that Nichols received some of the Four Year Transfers and Frontier received some of the Four Year Transfers.

43. The Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 43, and they are therefore denied.

44. The allegations in paragraph 44 are conclusions of law to which no response is required.

45. The allegations in paragraph 45 are conclusions of law to which no response is required.

FIFTH CLAIM FOR RELIEF

46. The Defendants restate and reallege each preceding paragraph as if fully stated herein.

47. The allegations in paragraph 47 are conclusions of law to which no response is required.

48. To the extent the allegations in paragraph 48 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

49. To the extent the allegations in paragraph 49 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

50. The allegations in paragraph 50 are conclusions of law to which no response is required.

51. To the extent the allegations in paragraph 51 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

52. The allegations in paragraph 52 are conclusions of law to which no response is required.

SIXTH CLAIM FOR RELIEF

53. The Defendants restate and reallege each preceding paragraph as if fully stated herein.

54. To the extent the allegations in paragraph 54 are not conclusions of law to which no response is required, the Defendants deny such allegations.

55. To the extent the allegations in paragraph 55 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

56. To the extent the allegations in paragraph 56 are not conclusions of law to which no response is required, the Defendants deny such allegations.

57. To the extent the allegations in paragraph 57 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

58. The allegations in paragraph 58 are conclusions of law to which no response is required.

SEVENTH CLAIM FOR RELIEF

59. The Defendants restate and reallege each preceding paragraph as if fully stated herein.

60. To the extent the allegations in paragraph 60 are not conclusions of law to which no response is required, the Defendants are without knowledge or information sufficient to form a belief as to the truth of such allegations, and they are therefore denied.

61. To the extent the allegations in paragraph 61 are not conclusions of law to which no response is required, the Defendants deny such allegations.

62. Denied.

63. Denied.

64. The allegations in paragraph 64 are conclusions of law to which no response is required.

AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE

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

SECOND AFFIRMATIVE DEFENSE

The Liquidating Trustee's claims are barred in whole or in part by the doctrines of waiver and laches.

THIRD AFFIRMATIVE DEFENSE

The Liquidating Trustee's claims are barred in whole or in part by the doctrine of estoppel.

FOURTH AFFIRMATIVE DEFENSE

The Liquidating Trustee's claims are barred in whole or in part by the unclean hands doctrine.

FIFTH AFFIRMATIVE DEFENSE

The Liquidating Trustee lacks standing to assert the claims against the Defendants.

SIXTH AFFIRMATIVE DEFENSE

The Liquidating Trustee's claims are subject to counterclaims and set-off.

SEVENTH AFFIRMATIVE DEFENSE

The Liquidating Trustee's claims are barred in whole or in part by the doctrine of *in pari delicto*.

EIGHTH AFFIRMATIVE DEFENSE

The Defendants reserve the right to plead additional defenses as they become known through discovery, disclosures, or otherwise during the course of this litigation.

JURY TRIAL DEMAND

The Defendants demand a trial by jury on all counts so triable.

STATEMENT PURSUANT TO FED. R. BANKR. PROC. 7012(b)

The Defendants do not consent to the entry of final orders or judgment by the Bankruptcy Court.

PRAAYER FOR RELIEF

WHEREFORE, Defendants respectfully requests that the Court: (a) deny all relief sought by the Liquidating Trustee; (b) award the Defendants their costs and expenses associated with the above-captioned litigation; and (c) award the Defendants such other and further relief as the Court deems necessary and proper.

Dated: January 30, 2020
Wilmington, Delaware

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Dated: January 30, 2020