UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Plaintiff, v. VEROS PARTNERS, INC., MATTHEW D. HAAB, JEFFERY B. RISINGER, VEROS FARM LOAN HOLDING LLC, TOBIN J. SENEFELD, FARMGROWCAP LLC, and PINCAP LLC, Defendants, PIN FINANCIAL LLC, Relief Defendant.	)	Case no. l:15-cv-659- JMS-MJD

ANSWER OF DEFENDANTS VEROS PARTNERS, INC., VEROS FARM LOAN HOLDING, LLC AND MATTHEW D. HAAB

Defendants Veros Partners, Inc. (“Veros”),Veros Farm Loan Holding, LLC (“VFLH”) and Matthew D. Haab ("Haab") (collectively, “Defendants”), by counsel, pursuant to Rule 8, F.R.C.P., state for their answer to the Amended Complaint of the United States Securities and Exchange Commission ("SEC") as follows:

Nature of the Case

1. Defendants Veros Partners, Inc. ("Veros"), an SEC-registered investment adviser located in Indianapolis, Indiana, and Matthew D. Haab, its president, have fraudulently raised at least $15 million from at least 80 investors. Veros and Haab raised those funds, mostly from Veros' own clients, in two separate farm loan offerings.

ANSWER: Regarding the allegations of paragraph 1 of the Amended Complaint, Defendants admit that Veros Partners, Inc. ("Veros") is an SEC-registered investment advisor located in Indianapolis, Indiana; that Matthew D. Haab ("Haab") is its president; that Veros raised at least $15 million from a number of investors; and

that Defendants raised those funds mostly from Veros clients, in two separate farm loan offerings and deny any remaining allegations in paragraph 1.

2. In each offering, the investors purchased securities issued, in 2013, by Defendant Veros Farm Loan Holding LLC ("VFLH" or the "2013 Offering"), and in 2014, by Defendant FarmGrowCap LLC ("FarmGrowCap" or the "2014 Offering"). VFLH and FarmGrowCap are controlled and operated by Haab and two associates, Defendants Jeffery B. Risinger and Tobin J. Senefeld.

ANSWER: Defendants admit that in each offering, the investors purchased securities issued, in 2013, by Veros Farm Loan Holding, LLC ("VFLH" or the "2013 Offering"), and in 2014, by Defendant FarmGrowCap, LLC ("FarmGrowCap" or the 2014 Offering"); denies that Risinger controlled or operated FarmGrowCap in 2013 as it was then controlled, operated, owned and managed by PinCap, LLC which, in turn, was then owned equally by Veros, Risinger and Tobin J. Senefeld ("Senefeld"). Defendants deny the remaining allegations of paragraph 2 of the Amended Complaint.

3. The investors in the 2013 and 2014 Offerings were informed, orally and in writing by Haab, and in the written offering documents, that investor funds would be used to make short- term operating loans to farmers for the 2013 and 2014 growing seasons. Contrary to these representations, although some investor money was loaned to the farms, significant portions of the loan proceeds were not used for current farming operations but were used to cover the farms' prior, unpaid debt. In addition, Haab, Risinger, and Senefeld used money from the 2013 and 2014 Offerings to make at least $7 million in payments to investors in other offerings and to pay themselves over $800,000 in undisclosed "success" and "interest rate spread" fees. They also repeatedly misled investors about the risks, nature, and performance of the investments and underlying farm loans.

ANSWER: Defendants admit that the VFLH Confidential Private Placement Memorandum dated February 22, 2013 informed investors in 2013 that investor funds would be used to make short-term operating loans to farmers, but deny that the use of

such investor funds to make short-term operating loans to farmers was for the 2013 and 2014 growing seasons as no such limitation existed. Defendants deny that the Confidential Private Placement Memorandum of FarmGrowCap dated March 17, 2014, stated that investor funds would be used to make short-term operating loans to farmers for the 2014 growing season, but admit that the investor proceeds would be used to "make farming related loans with maturities of 1 month to 13 months" and that "FarmGrowCap may make other loans that are not described above, so long as such loans are farming related and are consistent with the guideline of being highly collateralized."

Regarding the second sentence of the introductory paragraph of paragraph 3 Defendants admit that some investor money was loaned to the farms; and states that portions of the loan proceeds were used to cover the farms' prior unpaid debt for farming operations. Defendants deny that the 2014 FarmGrowCap Confidential Private Placement Memorandum limited the use of loan proceeds to then current farming operations. Defendants deny the remaining allegations of said sentence.

Defendants deny the allegations set forth in the third sentence of the introductory paragraph of paragraph 3 of the Amended Complaint.

Regarding the allegations of the fourth sentence of the introductory paragraph of paragraph 3 of the Amended Complaint, Defendants lack knowledge or information sufficient to form a belief as to whether and how, if at all, Risinger and Senefeld repeatedly misled investors about the risks, nature and performance of the investments and underlying farm loans and therefore deny them.

Among other things:

(a) During 2013, Haab used approximately $2.8 million from the 2013 Offering to pay off investors in earlier farm loan offerings when those farms did not fully repay their 2012 loans, without informing investors that they intended to do so. Haab and Risinger did not disclose the 2012 loan defaults to the 2013 investors, nor did they disclose that the 2012 unpaid

loan balances were included in loans involved in the 2013 offering. Without disclosure to investors, they used $1.9 million from the 2013 Offering to repay investors in a separate 2014 "Bridge Loan" Offering that was set to mature on the same date.

ANSWER: Regarding paragraph 3(a) of the Amended Complaint, Defendants admit that certain investor funds from the 2013 VFLH Offering were used to pay off investors in earlier farm loan offerings when those farms did not fully repay their 2012 loans; admit that Defendants did not disclose the 2012 loan defaults to the 2013 investors in the VFLH Confidential Private Placement Memorandum or that the 2012 unpaid loan balances were included in loans involved in the 2013 Offering; admit that Defendants transferred more than $1.9 million in repayments on farm loans made under the 2013 VFLH Offering to repay investors in a 2014 "Bridge Loan" Offering that was set to mature on the same date; admit that Defendants did not disclose to investors a payment of $1.9 million from the 2013 Offering to repay investors in a separate 2014 "Bridge Loan" Offering. Defendants lack knowledge or information sufficient to form a belief as to the truth of all of the remaining allegations of paragraph 3(a), and therefore deny them.

(b) In 2014, after Haab learned that several of the farms involved in the 2013 Offering would not repay their 2013 loans on time, Haab, with the assistance of Risinger, used over $2 million from the 2014 Offering to repay investors in the 2013 Offering and in the earlier 2014 Bridge Loan Offering, without informing investors that they intended to do so.

ANSWER: Regarding the allegations set forth in paragraph 3(b) of the Amended Complaint, Defendants admit that certain investor funds from the FarmGrowCap 2014 offering were used to repay investors in the 2013 VFLH offering and in the earlier 2014 Bridge Loan offering; admit that investors were not informed about the prospective use of their funds to pay investors in the prior offerings; lack knowledge or information sufficient to form a belief as to what is specifically meant by the term "assistance"; and

deny all other remaining allegations in said paragraph 3(b).

(c) Knowing that the actual amounts repaid by the farmers on the 2013 loans would be far less than what was necessary to fully repay all of the 2013 investors, Haab urged many of those investors to "roll over" their principal into the 2014 Offering. Haab falsely represented to them that both the 2013 investors and the 2013 loans had been repaid in full.

ANSWER: Regarding the allegations set forth in paragraph 3(c) of the Amended Complaint, Defendants admit that some 2013 investors "rolled over" their principal into the 2014 offering, and deny the remaining allegations of paragraph 3(c).

(d) Haab and Risinger then "rolled" over $7.5 million of unpaid investor principal from the 2013 and 2014 Bridge Loan Offerings into the 2014 *Offering*, and raised at least $3.5 million in new investor funds.

ANSWER: Regarding the allegations of paragraph 3(d) of the Amended Complaint, Defendants admit that FarmGrowCap accepted subscriptions for investment in the 2014 Offering, that some of those subscriptions were from investors who rolled over some or all of their investments made in the 2013 Offering and the 2014 Bridge Loan Offering; admit that such amount of investment accepted in the 2014 Offering that is from (a) investors who rolled their investment into the 2014 Offering from the 2013 Offering and the 2014 Bridge Loan Offering is approximately $7.5 million, and (b) new investor funds that were not rolled over into the 2014 Offering is approximately $3.5 million. Defendants deny the remaining allegations set forth in paragraph 3(d) of the Amended Complaint.

4. To date, less than $5 million of the approximately $12 million in loans owed in connection with the 2014 Offering have been repaid. All but one of the loans in the 2014 Offering are past due and, according to the Defendants, the loans, most of which included unpaid balances from prior years, will not be repaid in the near future. In addition, the approximately $7 million still owed on those loans ($3 million of which is

the subject of a recently filed collection action) is not sufficient to repay the 2014 investors, who are owed a total of approximately $9 million in principal and interest, and are due to be repaid on April 30, 2015.

ANSWER: Regarding paragraph 4 of the Amended Complaint, Defendants admit that as of April 22, 2015, less than $5 million of the approximately $12 million in loans in connection with the 2014 offering have been repaid; admit that all but one of the loans in the 2014 Offering is past due; admit that some of the loans included unpaid balances from prior years which will not be repaid in the near future; and admit that investors who made loans in the 2014 Offering were due to be repaid on April 30, 2015. Defendants deny the remaining allegations of paragraph 4 of the Amended Complaint.

5. However, the farm loan defaults and looming investment shortfall were not disclosed to the investors in the 2014 Offering. Defendants Haab, Risinger, and Senefeld have advised the Commission that their only recourse to repay the investors is by fees they expect to receive from other existing or planned offerings, including at least two 2015 farm loan offerings to Veros clients through which they are seeking to raise almost $25 million.

ANSWER: Regarding the allegations set forth in paragraph 5 of the Amended Complaint, Defendants admit that the farm loan defaults were not disclosed to the investors in the 2014 Offering. Defendants lacks knowledge sufficient to form a belief as to the truth of whether Risinger and/or Senefeld made disclosures of the farm loan defaults and looming investment shortfall to investors in the 2014 Offering; and deny the remaining allegations of paragraph 5.

6. The Commission brings this action to enjoin Defendants from raising additional investor funds, to prevent them from ensnaring more victims in their scheme, and to prevent the further dissipation of investor assets. The Commission also seeks the disgorgement of Defendants' ill-gotten gains, as well as prejudgment interest and significant civil penalties.

ANSWER: Defendants lacks knowledge sufficient to form a belief as to the truth of the allegations set forth in paragraph 6 of the Amended Complaint, and therefore deny them.

Jurisdiction and Venue

7. The Commission brings this action pursuant to Section 20(b) of the Securities Act of 1933 ("the Securities Act") [15 U.S.C. §77t(b)]. Section 21(d) of the Securities Exchange Act of 1934 ("the Exchange Act") [15 U.S.C. §§78u(d)], and Section 209(d) of the Investment Advisers Act of 1940 ("the Advisers Act") [[15 U.S.C. §§ 80b-9(d)]. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v], Section 27(a) of the Exchange Act [15 U.S.C. § 78aa], Section 214(a) of the Advisers Act [15 U.S.C. § 80b- 14(a)] and 28 U.S.C. § 1331.

ANSWER: Defendants admit the allegations of paragraph 7 of the Amended Complaint.

8. Venue is proper in this Court pursuant to Section 22(a) of the Securities Act [15U.S.C. § 77v], Section 27(a) of the Exchange Act [15 U.S.C. § 78aa] and Section 214(a) of the Advisers Act [15 U.S.C. § 80b-14], because the Defendants reside in this District and the acts, practices and courses of business constituting the violations alleged in this Amended Complaint have occurred within this District and elsewhere.

ANSWER: Defendants admit the allegations of paragraph 8 of the Amended Complaint.

Defendants

9. Veros Partners, Inc. ("Veros") is an investment adviser based in Indianapolis, Indiana. Veros has been registered with the Commission as an investment adviser since 2006. As of March 2015, Veros had almost 300 advisory clients and approximately $160 million in assets under management. In addition to its advisory business, Veros also offers its clients

business consulting and tax services.

ANSWER: Defendants admit the allegations of paragraph 9 of the Amended Complaint.

10. Matthew D. Haab, age 43, is an accountant and financial planner living in Indianapolis, Indiana. Haab founded Veros in 2000, and still owns a significant percentage of the company. Haab currently serves as Veros' President, Treasurer, one of its directors, and Chief Compliance Officer. Haab also manages the firm's investment advisory business.

ANSWER: Defendants state the Matthew Haab is 42 years old and otherwise admit the allegations of paragraph 10 of the Amended Complaint.

11. Jeffrey B. Risinger, age 59, is an attorney living in Fishers, Indiana. Since at least 2012, Risinger has worked with Haab to structure and manage private farm loan investments, mainly for Veros' advisory clients. Since 2013, Risinger has been a registered representative with Pin Financial LLC, a broker-dealer registered with the Commission.

ANSWER: Defendants lack knowledge or information sufficient to form a belief as to Risinger's age and address, and whether he has been a registered representative with Pin Financial, LLC, a broker-dealer registered with the Commission, and deny the remaining allegations of paragraph 11.

12. Tobin J. Senefeld, age 48 lives in Indianapolis, Indiana. Senefeld is the CEO of, and a registered representative with, Pin Financial LLC. Since at least 2010, Senefeld has worked with Haab and Risinger to originate private farm loan investments offered to Veros' advisory clients. In 1999, the SEC charged Senefeld with engaging in a fraudulent, free-riding scheme as a registered representative of a now-defunct broker-dealer. Senefeld settled those charges and was ordered to cease and desist from violations of the Securities and Exchange Acts, he paid a $25,000 civil penalty, and he served a twelve-month suspension from associating with any broker-dealer.

ANSWER: Defendants believe Senefeld was charged in 1998, but admit all of the

remaining allegations of paragraph 12 of the Amended Complaint.

13. Veros Farm Loan Holding LLC ("VFLH) is in Indiana limited liability company managed by Veros. VFLH is the issuer of the securities in the 2013 Offering. It was formed in as a holding company to receive investor funds and loan them to PinCap LLC. PinCap then made farm loans underlying the 2013 Offering through its subsidiary, FarmGrowCap LLC.

ANSWER: Defendants admit the allegations set forth in paragraph 13 of the Amended Complaint.

14. FarmGrowCap LLC ("FarmGrowCap") is an Indiana limited liability company based out of Risinger's law office in Carmel, Indiana. FarmGrowCap issued the securities in the Offering and was used by Risinger, Haab, and Senefeld to originate and manage the farm loans in the 2013 and 2014 Offerings. FarmGrowCap was owned by PinCap LLC until 2014, when Risinger transferred sole ownership to himself.

ANSWER: Defendants admit the allegations of paragraph 14.

15. PinCap LLC ("PinCap") is an Indiana limited liability company based out of Risinger's law office in Carmel, Indiana. PinCap issued the securities in the 2014 Bridge Loan Offering and is owned by Veros, Risinger, and Senefeld, and managed by Risinger, Senefeld, and Haab. PinCap was an entity used by Risinger, Haab, and Senefeld to make and manage private offerings in which Veros clients invested.

ANSWER: Defendants admit the allegations of paragraph 15.

Relief Defendant

16. Pin Financial LLC ("Pin Financial") is a New York limited liability company and SEC-registered broker-dealer based in New York, New York. Pin Financial has acted as placement agent for private offerings made to Veros advisory clients. Risinger and Senefeld acquired Pin Financial in or around 2013, and currently PinCap is the majority owner of the company. Pin Financial has been registered with the Commission as a broker-dealer since 2005.

ANSWER: Regarding the allegations of paragraph 16 of the Amended Complaint, Defendants admit that Pin Financial is a New York limited liability company and SEC-registered broker-dealer based in New York, New York; admit that Pin Financial acted as placement agent for private offerings made to Veros advisory clients; and admit that Pin Financial has been registered with the Commission as a broker-dealer since 2005. Defendants admit that Risinger and Senefeld each acquired a *10%* ownership interest in Pin Financial in 2013, but before completing the acquisition of the remaining 80% of Pin Financial, they assigned their respective rights to acquire Pin Financial to PinCap LLC in 2013, the closing for which occurred in 2014 after FINRA approved the purchase. Defendants deny the remaining allegations of paragraph 16.

Facts

A. Veros and Its Advisory Clients

17. Veros has approximately 300 advisory clients. Matthew Haab manages Veros' investment advisory business, and personally manages the accounts of over 175 Veros clients. Veros currently manages approximately $160 million in client assets. Of this amount, about45% is invested in stocks and other public equities. About 25% is invested in corporate bonds and bond ETFs, and around 25% (approximately $40 million) is invested in private offerings.

ANSWER: Defendants admit the approximations in paragraph 17.

18. Veros generally has complete discretion over the investments in these advisory client accounts. Accordingly, Veros can and does make investment decisions for its clients without obtaining prior approval. However, Veros generally has sought and obtained client approval prior to making the private farm loan investments which are at issue in this case.

ANSWER: Regarding the allegations of paragraph 18 of the Amended Complaint, Defendants state that Veros always sought and obtained client approval prior and had no discretion to move money from private investment accounts to the private

farm loan investments without authorization, and deny the remaining allegations.

19. Veros charges its clients an annual management fee ranging from .5% to 1.5% of the client's assets under management. In each of the past three years, Veros collected about $1.3 million in management fees. Between his salary and profit distributions, Haab personally received over $200,000 from Veros in each of the past three years.

ANSWER: Defendants admit the allegations set forth in paragraph 19 of the Amended Complaint.

B. Veros' Decision to Engage in Private Offerings

20. After the 2008 financial crisis, Haab began looking for private investment opportunities for Veros' advisory clients. In 2009, Senefeld approached Haab with a farm loan opportunity which Haab decided to offer to Veros' clients and others through a private offering.

ANSWER: Regarding the allegations of paragraph 20 of the Amended Complaint, Defendants admit that in 2009 Senefeld approached Haab with a farm loan opportunity about which Haab decided to inform Veros' clients and others through a private offering. Defendants deny the remaining allegations.

21. Over the next few years, Senefeld approached Haab with a number of other investment opportunities. With Risinger's assistance, Haab created a number of private investments and offered them to Veros clients and others. Between 2012 and 2015, Veros and its affiliates raised nearly $100 million from investors in more than 50 separate private offerings. Almost all of the investor funds raised in these offerings came from Veros' advisory clients, and most of these offerings involved loans to farmers.

ANSWER: Defendants admit the allegations in paragraph 21.

22. Risinger and Senefeld have worked together in about 40 of Veros' private offerings, including most of the farm loan offerings. Senefeld has described himself as a "matchmaker" who found farmers in need of financing and then negotiated the terms of

potential farm loans. Senefeld knew these loans would be funded by Veros' clients, and that Haab and Risinger would handle the offerings. Risinger was responsible for structuring the private offerings, and drafting the offering documents and farm loan agreements.

ANSWER: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 22 and therefore deny them.

C. An Overview of the Farm Loan Offerings

23. A farm "operating loan" is a loan that farmers use to pay for seed, fertilizer, equipment, and other expenses associated with the farm's operations for given year. In 2012, 2013 and 2014, Veros and Haab offered Veros advisory clients and others the chance to invest in certain private offerings that were intended to fund 12- to 14-month operating loans for farmers during a particular crop season *(i.e.*, from the spring of that year until the spring of the following year).

ANSWER: Regarding the allegations of paragraph 23 of the Amended Complaint, Defendants admit that a farm "operating loan" is a loan that farmers use to pay for seed, fertilizer, equipment and other expenses associated with the farm's operations for a given year; and further admit that in 2012, 2013 and 2014, Veros and Haab offered Veros advisory clients and others the chance to invest in certain private offerings that included the funding of 12 to 14 month operating loans (that were not necessarily limited to a particular crop season) and other farm related loans that were not "operating loans" for farmers. Defendants deny all other remaining allegations in paragraph 23.

24. Veros offered investments in the farm operating loans through separate private offerings in the spring of each crop season. Each offering had a separate group of investors and matured in the spring of the following year. Haab and Veros represented to investors that investor money would be lent to farmers in the spring for crop inputs *(e.g.*, seed, land leases) and would be repaid by farmers over the next year as they sold the crop or collected crop insurance payments.

ANSWER: Regarding the allegations set forth in paragraph 24 of the Amended

Complaint, Defendants admit that Veros offered investments in the farm operating loans through separate private offerings most of which occurred in the spring of each crop season; and further admit that each offering had a separate group of investors. Defendants deny the remaining allegations.

25. For both the 2013 Offering and the 2014 Offering, by the end of the 12- to 14- month loan period, the investors were supposed to be repaid all of their principal, plus additional interest. The additional interest typically was around 10% annualized or higher. Veros was responsible for collecting and disbursing all investor funds.

ANSWER: Defendants admit the allegations of paragraph 25 of the Amended Complaint but not that there was not anything called "additional interest."

D. The 2012 Offerings

26. In the spring of 2012, Haab solicited Veros clients and others to invest in two separate farm loan offerings ("Farm Loan Offering A" and "Farm Loan Offering B" or, collectively, the "2012 Offerings"). In Farm Loan Offering A, Veros raised $3.37 million from 35 investors, and Haab personally invested $50,000. The corresponding operating loan to Farm A was $3.37 million. In Farm Loan Offering B, Veros raised $1.43 million from 24 investors, including $25,000 from Haab. The corresponding operating loan to Farm B was also $1.43 million.

ANSWER: Defendants admit the allegations in paragraph 26.

27. Almost all of the investors in the 2012 Offerings were Veros clients. The investors in the 2012 Offerings were entitled to be repaid with interest ~ 12% for Farm Loan Offering A and 13.5% for Farm Loan Offering B — on March 30, 2013.

ANSWER: Defendants deny that the investors in the Kirbach Farm Loan Offering B were entitled to be repaid 13.5% interest, but admit the remaining allegations in paragraph 26.

28. Senefeld negotiated the terms of the loans with the farmers who received funds through the 2012 Offerings. In return, Senefeld received a fee of 6% of the amount

raised through Farm Loan Offering A, and 4% of the amount raised through Farm Loan Offering B.

ANSWER: Defendants admit the allegation in paragraph 28 of the Amended Complaint that Senefeld negotiated the terms of the loans with the farmers who received funds through the 2012 Offerings; but is without knowledge as to what percentage fees Senefeld received as a result of services provided regarding the Crossroads Farm Loan Offering A and the Kirbach Farm Loan Offering B, as the fees were paid to CCG, Inc., and therefore Defendants deny any remaining allegations.

29. Risinger prepared the offering materials and loan agreements for the 2012 Offerings, and was paid $35,000 in legal fees.

ANSWER: Defendants admit Risinger prepared offering materials, but lacks knowledge regarding the remaining allegations and therefore denies them.

30. Veros was paid a $60,000 administrative fee for managing the investors' funds and acting as a liaison between the farmers and investors. All these fees were disclosed in the Private Placement Memoranda ("PPM) for the 2012 Offerings, and were paid from the funds invested in those offerings.

ANSWER: Defendants admit the allegations in paragraph 30.

31. However, as of March 30, 2013, the investors in Farm Loan Offering A had been paid less than $330,000, and were owed almost $3.3 million. As of the same date, the investors in Farm Loan Offering B had been paid around $840,000, and were owed approximately $700,000. Neither Farm A nor Farm B repaid their 2012 operating loan in full on March 30, 2013, as required under the loan agreements.

ANSWER: Defendants admit the allegations in paragraph 31.

E. The 2013 Offering

32. In February 2013, Haab solicited Veros clients and others to invest in a farm loan offering for the 2013 crop season. Haab told prospective investors that a number of operating loans to different farms would be funded by the 2013 Offering. Haab

recommended the 2013 Offering as a replacement for fixed-income securities like corporate bonds.

ANSWER: Defendants admit that certain Veros clients were provided an opportunity to invest in the 2013 loan offering, that some clients used it as a replacement for fixed-income securities, and deny the remaining allegations of paragraph 32.

33. In late February 2013, Haab drafted a term sheet for the 2013 Offering and sent it to prospective investors. The term sheet stated that a PinCap subsidiary, FarmGrowCap, would use investor funds to make one-year "operating loans" to at least six different farms for the 2013 crop season. The term sheet also disclosed Veros' ownership interest in PinCap and FarmGrowCap.

ANSWER: Defendants state that the term sheet disclosed all fees to be received directly by Veros Partners and otherwise admit the allegations in paragraph 33.

34. The term sheet further stated that in the 2013 Offering there were no fees other than Veros' annual management fee and an annual consulting and administrative fee paid to Veros for services provided to FarmGrowCap.

ANSWER: Defendants state that the term sheet disclosed all fees to be received directly by Veros Partners and otherwise admit the allegations in paragraph 34.

35. The PPM for the 2013 Offering stated that investors could purchase "secured loan units" in VFLH, which was an entity managed by Veros. The PPM further stated that VFLH would use investor funds to make a loan to PinCap, to be used for three purposes: (a) to fund loans to farmers made by PinCap's subsidiary, FarmGrowCap; (b) to complete PinCap's purchase of Pin Financial; and (c) to provide operating capital for both FarmGrowCap and PinCap.

ANSWER: Defendants admit the allegations set forth in paragraph 35 of the Amended Complaint.

36. The PPM identified Haab, Risinger, and Senefeld as PinCap's "management team" and listed Haab as the investor contact. Veros was responsible

for collecting and disbursing investor funds.

ANSWER: Defendants admit the allegations set forth in paragraph 36 of the Amended Complaint.

37. The PPM for the 2013 Offering, which was drafted by Risinger, stated that VFLH would make "12- to 14-month operating loans to farmers" and that it had already sourced 4 farm loans in the amount of approximately $6.7 million for "the 2013 crop season". The PPM also stated that FarmGrowCap was contemplating making another farm loan in the amount of $1.8 million. The PPM did not disclose that funds would be disbursed to farmers for any purpose other than to be used as an operating loan.

ANSWER: Defendants admit the allegations set forth in the first two sentences of paragraph 37 of the Amended Complaint, but deny the allegations in the last sentence of said paragraph.

38. The PPM for the 2013 Offering did not disclose that investor funds would be used to repay investors in the 2012 Offerings, or to pay off or refinance any farm loans. Haab reviewed and made comments on drafts of the PPM for the 2013 Offering before it was final and Senefeld received multiple drafts of the PPM for the 2013 Offering before it was provided to any investors.

ANSWER: Noting that the document speaks for itself, Defendants admit the allegations set forth in paragraph 38 of the Amended Complaint.

39. Veros raised $9.7 million from 65 investors for the 2013 Offering, all but 8 of whom were Veros advisory clients. Investors in the 2013 Offering deposited their money into a business checking account which Haab established for the 2013 Offering, and in which he controlled all disbursements.

ANSWER: Defendants admit the allegations set forth in paragraph 39 of the Amended Complaint.

40. Because Farm A and Farm B did not pay off their 2012 operating loans in full, Haab could not fully repay the 2012 Offerings investors from the 2012 loan

repayments. Between March and November 2013, Haab used approximately $2.8 million of investor funds from the bank account established for the 2013 Offering to *repay* investors in the 2012 Offerings, including himself. The approximately $2.8 million in investor funds used by Haab included money directly deposited into the 2013 Offering account by investors, as well as farm loan repayments held on behalf of those investors. Haab did not personally invest in the 2013Offering.

ANSWER: Regarding the allegations set forth in paragraph 40 of the Amended Complaint, Defendants deny the allegations set forth in the first and second sentences of paragraph 40 since Haab, individually, had no duty to fully repay the Crossroads 2012 Farm A and Kirbach Farm B Offering investors as (a) the Crossroads and Kirbach farms, who were the issuers, each had the duty to fully repay the 2012 loans through Veros as the administrative agent, and (b) since there was ample collateral from both Farm A (Crossroads) and Farm B (Kirbach) that could have been used to fully cover the loans. Defendants admit the remaining allegations set forth in paragraph 40 of the Amended Complaint.

41. For example, on April 12, 2013, Haab transferred approximately $ 1.26 million in investor funds from the 2013 Offering bank account to the bank account used for the 2012 Farm Loan Offering A, which at that time had a balance of $520,942. Later that same day, Haab wired all the money in that account to the 2012 Farm Loan Offering A investors. As an investor in Farm Loan Offering A, Haab personally received over $25,000 from that wire transfer.

ANSWER: Defendants admit the allegations set forth in paragraph 41 of the Amended Complaint.

42. Senefeld was personally involved in at least one of these payments. In March 2013, Senefeld directed a FarmGrowCap employee to send wire instructions to Haab so that Farm Loan Offering B investors could be paid with funds contributed by investors in the 2013 Offering. The wire instructions related to a $375,000 farm loan

which was part of the 2013 Offering. Senefeld's instructions advised Haab that the farm's bank account should receive less than half of that amount, and that $115,000 was to be used to "pay to investors" as part of the "2012 Loan Payoff." Haab has testified that this was a payoff of 2012 investors with money from the 2013 Offering.

ANSWER: With regard to the allegations set forth in paragraph 42 of the Amended Complaint, Defendants note that the transcript of Haab's SEC testimony speaks for itself, admit that Haab testified that this was a payoff of 2012 investors with money from the 2013 Offering; admit that a FarmGrowCap employee sent wire instructions to Haab so that Farm Loan Offering B (Kirbach) investors could be paid with funds contributed by investors in the 2013 VFLH Offering; admit that the wire instructions related to a $375,000 farm loan which was part of the 2013 VFLH Offering; admit that the wire instructions stated that $115,000 was to be used to pay to investors in the 2012 Offering; and admit that the amount stated in the wire instructions to be paid to the Kirbach Farm's bank account was $148,678.77, noting that the wire instructions implemented the provisions for the disbursements of the $375,000 loan amount as per the loan agreement between Farm B Kirbach Farms and FarmGrowCap (as signed by Farm B Kirbach Farms). Defendants lack knowledge sufficient to form a belief as to the truth of the remaining allegations in paragraph 42 such as (a) whether Senefeld was personally involved in at least one of these payments and, if so, what his involvement was, (b) and whether Senefeld "directed" a FarmGrowCap employee to send the referenced wire transfer instructions, the effect of which is a denial of said allegations.

43. Risinger and Senefeld used PinCap to charge origination fees for seven of the eight farm loans that were funded by the 2013 Offering. Risinger and Haab referred to these assessments as "success" fees, which ranged from 1% to 12% of the total amount the farmer was obligated to repay. In the case of Farm A and Farm B, this was less than the amount of loan proceeds each received for the 2013 crop season.

ANSWER: With regard to the allegations set forth in paragraph 43 of the Amended

Complaint, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and therefore deny them.

44. For example. Farm B's loan agreement reflected a loan amount of $375,000, but the farmer actually received only about $ 150,000 in 2013. The balance of the new "loan" consisted of unpaid debt carried over from its 2012 loan which was the subject of the 2012 Offering, as well as an early 2013 loan. Nevertheless, PinCap's "success fee" from this loan was7% of the full $375,000, or about $26,000.

ANSWER: Defendants deny the allegations set forth in paragraph 44 of the Amended Complaint since the Kirbach Farm B Loan Agreement correctly reflected a total loan amount to the Farm in the sum of $375,000 which the Farm acknowledged in the loan agreement between Farm B Kirbach Farms and FarmGrowCap (as signed by Farm B Kirbach Farms) and in which agreement the Farm consented to having the $375,000 proceeds of the loan used (a) to repay unpaid debt carried over from its 2012 loan which was the subject of the 2012 Offering, (b) to repay an earlier made 2013 loan (the proceeds of which were used to pay some of the Farm's 2013 expenses), (c) to pay a financial accommodation fee being 7% of $375,000 which equals $26,250, and (d) to provide the farmer with a direct payment of $148,678.77 in 2013.

45. These success fees were paid to PinCap out of the bank account for the 2013 Offering - the same account that held investor money - after loan proceeds were disbursed to a farmer, rather than when the farmer ultimately repaid the loan with interest.

ANSWER: Regarding the allegations set forth in paragraph 45 of the Amended Complaint, Defendants deny that "success fees" were paid to PinCap since origination or financial accommodation fees were paid to FarmGrowCap in 2013; admit that the origination and financial accommodation fees were paid after the loan proceeds were disbursed to a farmer rather than when the farmer ultimately repaid the loan with interest;

and admit the remaining allegations.

46. Risinger and Senefeld received over $700,000 in "success" fees, paid through PinCap, from the 2013 Offering. They also received over $100,000 in "interest rate spread" fees. All of these payments were approved by Haab, and were PinCap's only source of revenue in 2013.

ANSWER: Defendants deny the allegations of paragraph 46 of the Amended Complaint.

47. None of the offering materials sent to investors in the 2013 Offering disclosed that PinCap, Risinger or Senefeld would be paid "success" fees or "interest rate spread" fees. Haab and Risinger admitted in SEC testimony that the fees were not disclosed to investors - in PPMs or otherwise - before they invested.

ANSWER: Regarding the allegations set forth in paragraph 47 of the Amended Complaint, Defendants admit that none of the offering materials sent to investors in the 2013 Offering disclosed that PinCap, Risinger or Senefeld would be paid origination or financial accommodation fees or "interest rate spread" fees but noting that the PPM for the 2013 Offering stated the following regarding fees or compensation that may be paid to PinCap, Risinger or Senefeld:

> "Veros, Tobin Senefeld, and Jeff Risinger do intend to receive economic gain from their ownership of PinCap. In addition, PinCap will pay salaries to Tobin Senefeld and Jeff Risinger, the amount of which will vary based upon PinCap overall performance (and Veros will participate in the setting of such salaries)."

Defendants further admit the allegations in the second sentence of paragraph 47.

48. PinCap, in turn, used a portion of the fees it received from the 2013 Offering to pay approximately $214,000 in "consulting" fees to Veros. These fees were paid in a manner that was contrary to the disclosures for the 2013 Offering.

ANSWER: Defendants admit a portion of the fees were paid to Veros and deny the remaining allegations in paragraph 48.

49. The PPM for the 2013 Offering stated that PinCap would pay a consulting

fee to Veros that would not exceed *2%* of the principal raised from investors, and would depend in part on whether the 2013 Fund "achiev[ed] its investment objectives." However, the $214,000 in consulting fees which PinCap paid Veros exceeded 2% of the $9.7 million raised from investors. Further, the 2013 Offering never achieved its investment objectives because it did not generate enough money to fully repay all investors.

ANSWER: Noting that the PPM for the 2013 Offering speaks for itself, Defendants admit the first sentence of paragraph 49; and deny all remaining allegations.

50. PinCap also used a portion of the fees it received to pay Risinger and Senefeld salaries of over $150,000 in 2013, and $200,000 in 2014. In addition, at least $200,000 of the fees that PinCap received were transferred to Pin Financial.

ANSWER: Defendants lack information or knowledge sufficient to form a belief as to the truth of the allegations in paragraph 50 and therefore deny them.

51. The PPM for the 2013 Offering stated that all management decisions would be made by Senefeld, Risinger, and Veros. An exhibit to the PPM contained Senefeld's biography, drafted by Risinger, which mischaracterized the SEC's charges against Senefeld in 1999.

ANSWER: Regarding the allegations set forth in paragraph 51 of the Amended Complaint, Defendants admit that the PPM for the 2013 Offering stated that "Messrs. Senefeld and Risinger and Veros Partners, Inc. will make substantially all decisions with respect to the management of PinCap"; and admit that an exhibit to the PPM contained Senefeld's biography drafted by Risinger (with input from Senefeld). Defendants deny that the PPM for the "2013 Offering stated that all management decisions would be made by Senefeld, Risinger, and Veros". Defendants lack knowledge or information regarding the remaining allegations and deny them.

52. Although the PPM disclosed that Senefeld had been charged with violating the federal securities laws, the PPM explained that Senefeld was charged because an employee

then under his supervision bought securities without the money to pay for them. In fact, the SEC issued an order in which it found that Senefeld had personally engaged in a fraudulent free-riding scheme.

ANSWER: Defendants admit the allegations of paragraph 52 of the Amended Complaint, and further acknowledge that the SEC allowed Senefeld to again associate with any broker or dealer and that all of Senefeld's securities licenses were re-instated by the SEC.

53. Risinger, Haab and Senefeld all had read the SEC's charges before the PPM for the 2013 Offering was sent to investors. Risinger knew the true nature of the SEC's charges against Senefeld before drafting the disclosure. And both Haab and Senefeld read the draft disclosure before it was finalized. But none of these individuals made any effort to ensure that the PPM's disclosure regarding Senefeld's 1999 settlement with the SEC was accurate.

ANSWER: Defendants admit the allegations set forth in paragraph 53 of the Amended Complaint.

54. In October 2013, Haab sent investors in the 2013 Offering an update on the "operating loan fundings" made for the 2013 crop season. The update identified loans to seven different farms, including a $3.3 million "2013 operating loan" to Farm A, and a $375,000 "2013 operating loan" to Farm B.

ANSWER: Defendants admit the allegations set forth in paragraph 54 of the Amended Complaint, noting that it was an email update.

55. In fact, less than $1.5 million was loaned to Farm A for its operations during the 2013 crop season. The balance of the $3.3 million loan to Farm A represented the amount that Farm A still owed on its 2012 operating loan. The loan to Farm B for its 2013 operations was far less than the $375,000 shown in Haab's investor update. Once again, the 2013 loan to Farm B included amounts still owed by Farm B on its 2012 operating loan.

ANSWER: Regarding the allegations set forth in paragraph 55 of the Amended Complaint, Defendants deny the allegations in the first two sentences of paragraph 55 but admit that $3,873,938 was loaned to Crossroads Farm A in 2013, all but $922,483 of which was used for 2013 operations; admit that not all of the proceeds of the $375,000 loan to Kirbach Farm B was used for its 2013 operations; but deny that the loan to Kirbach Farm B was "for less" than the $375,000; and admit that the 2013 loan to Kirbach Farm B included amounts still owed by Kirbach Farm B on its 2012 operating loan.

56. In addition, almost $300,000 of the undisclosed origination (or "success") fees paid to Risinger and Senefeld resulted from the 2013 loans to Farm A and Farm B. Those fees were a fixed percentage of the total 2013 loan amounts - $3.3 million (Farm A) and $375,000 (Farm B) - even though only a portion of those amounts was disbursed to each farm. Risinger and Senefeld had already been paid origination fees on the amounts still owed in connection with the origination of the 2012 loans.

ANSWER: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and denies them.

57. Haab did not disclose that the "full year 2013 operating loans" to Farm A and Farm B included unpaid debt from the 2012 Offerings. Although the PPM did not specifically discuss those loans, the PPM's "prior performance" section misleadingly stated that previous farm loans originated by PinCap's principals "generated an average yield of 21% with virtually no loss of principal."

ANSWER: Defendants admit that the October 2013 email update referenced in paragraph 54 of the Amended Complaint did not disclose that the "full year 2013 operating loans" to Crossroads Farm A and Kirbach Farm B included unpaid debt from the 2012 Offerings, and denies all of the remaining allegations of paragraph 57 of the Amended Complaint.

58. In October 2013, Risinger drafted loan agreements with certain farms

that had received funds from the 2013 Offering. These loan agreements falsely represented that Farm A and Farm B had received advances of $3.3 million and $375,000, respectively. However, the farms did not receive certain of these advances, and the dates Risinger used for these fictitious "advances" were the dates on which Haab used 2013 Offering funds to repay investors in the 2012 Offerings.

ANSWER: Regarding the allegations set forth in paragraph 58 of the Amended Complaint, Defendants admit that in October, 2013, Risinger drafted loan agreements with certain farms that had received funds from the 2013 Offering. Defendants deny all of the remaining allegations in paragraph 58.

59. The 2013 Offering matured on April 30, 2014. On that date, investors were entitled to receive approximately $10.8 million, consisting of $9.7 million in principal plus 10% annual interest.

ANSWER: Regarding the allegations set forth in paragraph 59 of the Amended Complaint, Defendants admit that the 2013 Offering matured on April 30, 2014, and further admit that on that date investors were entitled to receive approximately $10.8 million, consisting of $9,664,000 in principal plus 10% annual interest, noting that the 2013 Offering PPM provided that if payments were made after April 30, 2014, the investors would receive additional interest (such additional interest did accrue to all of the investors as late payments were deemed possible and later became the reality); and further admit that the approximate $10.8 million included interest for all of the late payments.

60. On March 27, 2014, Haab sent investors in the 2013 Offering an update stating that the farms which received loans from the 2013 Offering still owed approximately $10.2 million on their 2013 "operating" loans, but that Veros expected to receive full repayment of all loans by mid-April. Haab also reported that Veros expected to fully repay investors.

ANSWER: Defendants admit the allegations of paragraph 60 of the Amended Complaint.

61. On May 1, 2014, Haab sent investors another update indicating that the farms which received loans from the 2013 Offering still owed a total of approximately $3.9 million. Haab further stated that the farms had repaid the "substantial amount of $6,341,983.85" since his March 27 update. However, this was not true. The farms had repaid approximately $4 million since that date.

ANSWER: Regarding the allegations set forth in paragraph 61 of the Amended Complaint, Defendants admit that on May 1, 2014, Haab sent investors in the 2013 Offering another update by email indicating that the farms which received loans from the 2013 Offering still owed a total of approximately $3.9 million; admit that Haab further stated that the farms had repaid the "substantial amount of $6,341,983.85" since his March 27 update; and deny the remaining allegations of paragraph 61.

62. Haab also represented that Veros expected to receive significant repayments from various farms which, combined with $7.5 million of "value" held by the 2013 Offering, would allow Veros to fully repay investors. However, the lone bank account for the 2013 Offering contained less than $ 1.4 million on May 1, 2014, and never had a balance of $7.5 million. Haab concluded by stating that Veros anticipated repaying investors around the end of May.

ANSWER: Noting that the email is the best evidence that speaks for itself, Defendants admit that Veros stated in the email that Veros expected to receive significant repayments from various farms which, combined with $7.5 million of "value" held by the 2013 Offering, would allow for full repayment; and deny that the email update states that Veros will make such repayment. Defendants admit that Haab concluded the email update by stating:

> "Based on the expected timing of these repayments from the Farms we would anticipate having a second and final repayment to the Lending Group completed around the end of May."

Defendants deny any remaining allegations in paragraph 62.

63. On June 27, 2014, Haab sent investors in the 2013 Offering yet another update which stated that Veros had received final repayments from all farms in connection with the 2013 crop season. However, this was not true. In fact, as of June 27, three farmers still owed over $3 million on their 2013 loans.

ANSWER: Defendants admit the allegations in the first and second sentences of paragraph 63 of the Amended Complaint and deny the remaining allegations.

64. In his SEC testimony, Haab admitted that he knew about these outstanding loan balances when he sent his investor update on June 27, 2014.

ANSWER: Defendants state that Haab's SEC testimony speaks for itself and deny the remaining characterizations and allegations.

65. In or around the Spring of 2014, Haab urged many of the investors in the 2013 Offering to "roll over" some or all of the amounts that they were purportedly "repaid" from their 2013 investments into a new 2014 Offering. The total amount "rolled over" was approximately $5.5 million.

ANSWER: Regarding the allegations set forth in paragraph 65 of the Amended Complaint, Defendants admit that around the Spring of 2014, Haab solicited investors for the 2014 Offering which included investors in the 2013 Offering who agreed to "roll over" some or all of the amounts that they were purportedly "repaid" from their 2013 investments; deny any characterization that only 2013 Offering investors were asked to invest by rolling over amounts they were purportedly "repaid"; admit that the total amount "rolled over" was approximately $5.5 million; and deny the remaining allegations.

66. Investors in the 2013 Offering understood the "roll over" to mean that their investments had been repaid in cash, and that this cash was automatically reinvested in the 2014 Offering. However, no such repayment or reinvestment took place. Instead, Haab and Veros simply exchanged an investor's remaining units in the 2013 Offering for the same number of units in the 2014 Offering, and postponed paying the investors the $5.5 million

owed to them for one more year.

ANSWER: Defendants deny the allegations set forth in paragraph 66 of the Amended Complaint.

67. On July 2, 2014, Haab directed a Veros employee to send several investors in the 2013 Offering a notice stating that the investor was receiving his or her final repayment from the 2013 Offering. The notice included an "investor summary" representing that Veros had repaid each investor 109.1% of his or her initial investment, and that investors in the 2013 Offering had been fully repaid the total of $10.8 million that they were owed.

ANSWER: Regarding the allegations of paragraph 67 of the Amended Complaint, Defendants admit that an employee of Veros sent, by email, a notice to some or all of the investors in the 2013 Offering; admit that the notice included an "investor summary" representing that Veros had paid each investor varying percentages above 100% of his or her initial investment, and admit that the notice stated investors in the 2013 Offering had been fully repaid the total of $10.8 million that they were owed; Defendants deny that each investor was informed that they had each been repaid 109.1% as the percentage varied with the date each investor invested money. Defendants deny any remaining allegations.

68. However, as of July 2, 2014 Veros had only paid investors about half of what they were owed in connection with the 2013 Offering. The farmers had not fully repaid the loans received in connection with the 2013 Offering, and Veros did not have the $5.5 million necessary to repay all of the 2013 Offering investors.

ANSWER: Defendants admit the first two sentences and deny the remaining allegations set forth in paragraph 68 of the Amended Complaint.

F. The 2014 Bridge Loan Offering

69. In or around February 2014, Haab solicited certain Veros clients to invest in a "bridge loan" offering (the "2014 Bridge Loan Offering"), which was a 2-month interim investment to fund farm loans in advance of the completion of a new 2014 Offering. PinCap was the issuer and raised approximately $5.2 million from 24 investors.

ANSWER: Defendants admit the allegations set forth in paragraph 69 of the Amended Complaint.

70. When the 2014 Bridge Loan Offering matured on March 31, 2014, PinCap lacked sufficient funds to repay all of the investors. Accordingly, only some of the investors in the 2014 Bridge Loan Offering were repaid in cash. In addition, of the approximately $3.3 million in cash that was repaid to those investors, approximately $2.4 million of that amount consisted of investor funds from the 2013 and 2014 Offerings.

ANSWER: Defendants state that all payments and transfer were disclosed in the PinCap offering and otherwise admit the allegations in paragraph 70.

71. Haab convinced other 2014 Bridge Loan Offering investors to roll their principal balance into the 2014 Offering. *The* total amount "rolled over" from the 2014 Bridge Loan Offering to the 2014 Offering was approximately $2 million. Again, Haab misrepresented to the investors in the 2014 Bridge Loan Offering that their principal had been repaid, when that had not occurred, and the rollovers were simply a bookkeeping entry used to postpone the repayment of a debt.

ANSWER: Defendants deny the allegations set forth in paragraph 71 of the Amended Complaint.

G. The 2014 Offering

72. In late March 2014, more than a month before Veros started repaying investors in the 2013 Offering, Haab began soliciting Veros clients and others to invest in a 2014 Offering. For this offering, FarmGrowCap was the investment entity.

ANSWER: Defendants admit the allegations of paragraph 72 of the Amended Complaint.

73. The PPM for the 2014 offering disclosed that Risinger was the sole owner of FarmGrowCap and the point of contact for investors. Haab and Senefeld were identified as part of FarmGrowCap's management team.

ANSWER: Defendants admit the allegations set forth in paragraph 73 of the Amended Complaint.

74. Haab told prospective investors that FarmGrowCap would use investor money to make short-term operating loans to farms for the 2014 crop season. Haab again recommended the 2014 Offering to Veros clients as a replacement to a fixed-income investment. He also told at least one investor that the 2014 Offering was "our most diversified and secured private loan offering."

ANSWER: Defendants admit the allegations set forth in paragraph 74 of the Amended Complaint.

75. The PPM for the 2014 Offering stated that investors had an opportunity to purchase "secured loans" issued by FarmGrowCap. Investors received promissory notes issued by FarmGrowCap and signed by Risinger. The PPM also stated that investor funds would "be used by FarmGrowCap to make farming related loans with maturities of 1 to 13 months" and "deployed to make loans to select farmers."

ANSWER: Noting that the 2014 Offering speaks for itself, Defendants admit the allegations set forth in paragraph 75 of the Amended Complaint.

76. The PPM further stated that FarmGrowCap made:

> "13 month or shorter term operating loans to farmers, primarily to support row crop farming (i.e. com, soybeans), but also to small fruit growers (i.e. blueberries) and other crop producers. FarmGrowCap also makes other farming related loans, such as short-term, highly collateralized bridge loans to provide financing to farmers who have planned land sales, pending conventional bank-type financings, or other circumstances that reasonably require (and support) a gap loan."

The PPM did not disclose that money from the 2014 Offering would be used to repay investors in the 2013 Offering or the 2014 Bridge Loan Offering.

ANSWER: Noting that the 2014 Offering speaks for itself, Defendants admit the allegations set forth in the first sentence of paragraph 76 of the Amended Complaint and admit that the PPM did not disclose that money from the 2014 Offering would be used to repay investors in the 2014 Bridge Loan Offering; but deny that the PPM did not

disclose that money from the 2014 Offering would be used to repay investors in the 2013 Offering.

77. Veros raised at least $3.5 million in new investor money from 35 investors for the 2014 Offering. However, the amounts due to investors in connection with the 2014 Offering also include: (a) approximately $5.5 million of unpaid investor principal "rolled over" from the 2013 Offering investors; and (b) approximately $1.9 million in unpaid investor principal "rolled over" from investors in the 2014 Bridge Loan Offering.

ANSWER: Defendants admit the allegations set forth in paragraph 77 of the Amended Complaint.

78. The 2014 Offering matured on April 30, 2015. On that date, the investors in the 2014 Offering were entitled to repayment of their entire investment plus a *9%* annualized return. The investors in the 2014 Offering currently are owed approximately $9 million. For the reasons explained below. Defendants do not have sufficient funds to repay investors.

ANSWER: Defendants admit the allegations set forth in the first two sentences of paragraph 78 of the Amended Complaint, and deny the allegations in the third sentence of paragraph 78.

79. The new investors in the 2014 Offering deposited their money into a business checking account that Haab opened solely for the 2014 Offering. Haab controlled all disbursements from that account. In February 2014, Haab and Risinger proposed using funds raised from the 2014 Offering to repay investors in the 2013 Offering.

ANSWER: Defendants admit the allegations set forth in paragraph 79 of the Amended Complaint.

80. Between April and September 2014, Haab used at least $2 million from the 2014 Offering to repay some of the investors in both the 2013 Offering and the 2014 Bridge Loan Offering. *These* payments were not disclosed to investors.

ANSWER: Defendants admit the allegations of paragraph 80 of the

Amended Complaint, but specifically deny payments were not disclosed to investors.

81. For example, on April 24, 2014, Haab transferred approximately $1 million in investor funds from the 2014 Offering bank account to the 2014 Bridge Loan Offering bank account. The next day, April 25, he wired approximately $1 million from the 2014 Bridge Loan Offering bank account to repay a single investor in that Bridge Loan Offering (that investor did not invest in the 2014 Offering). Haab also transferred money from the 2014 Offering bank account to the 2013 Offering bank account in order to wire repayments to investors in that offering.

ANSWER: Defendants admit the allegations set forth in paragraph 81 of the Amended Complaint.

82. Risinger was aware that Haab was using money from the 2014 Offering to repay investors in the 2013 *Offering* and 2014 Bridge Loan Offering. In fact, Risinger repeatedly advised Haab how to use money from the 2014 Offering to pay off investors in the 2013 Offering.

ANSWER: Defendants admit the allegations in paragraph 82.

83. Risinger drafted the PPM for the 2014 Offering, and Haab sent it to Veros clients and other prospective investors. Haab and Senefeld both received advance drafts of the PPM. The PPM was dated March 17, 2014 and contained a "prior performance" section describing Risinger's and FarmGrowCap's track record with previous farm loan offerings.

ANSWER: Noting that the 2014 Offering speaks for itself, Defendants admit the allegations in paragraph 83.

84. The "prior performance" section of the PPM stated that one of eight farm operating loans in the 2013 Offering had a loss of $435,000. However, the PPM also stated that FarmGrowCap had absorbed that loss by using a portion of its fee income from the 2014 Offering to ensure a full repayment of the 2013 Offering investors.

ANSWER: Noting that the 2014 Offering speaks for itself, Defendants admit the allegations of paragraph 84 of the Amended Complaint.

85. The PPM further stated that the remaining seven farm loans made in connection with the 2013 Offering "have been fully repaid or are on track to do so ... except that one farmer borrower realized a repayment shortfall of approximately $130,000 (for which FarmGrowCap, in exchange for additional collateral, has granted an extension of time for payment)."

ANSWER: Noting that the 2014 Offering speaks for itself, Defendants admit the allegations of paragraph 85 of the Amended Complaint.

86. Other than with regard to the $130,000 discussed above, the PPM for the 2014 Offering did not did not disclose that any unpaid balances from 2013 farm loans were being rolled over or refinanced through the 2014 Offering. Further, the PPM for the 2014 Offering did not disclose that any investor funds would be used to repay investors in previous offerings.

ANSWER: Regarding the allegations set forth in paragraph 86 of the Amended Complaint, Defendants note that the 2014 Offering speaks for itself; Defendants admit that the PPM for the 2014 Offering did not disclose that any investor funds would be used to repay investors in previous offerings; deny that the PPM for the 2014 Offering failed to disclose that any unpaid balances from 2013 farm loans were being refinanced through the 2014 Offering since there was a suggestion that some of the 2014 Offering funds might be used to refinance a part of the 2013 Crossroads unpaid debt; further admit that the PPM for the 2014 Offering did not disclose that any unpaid balances from 2013 farm loans were being rolled over through the 2014 Offering.

87. Haab sent the PPM for the 2014 Offering to investors on March 28, 2014. However, as early as February 2014, Haab, Risinger, and Senefeld all knew that at least three of the 2013 farm loans would not be paid on time. By May 1, 2014, they all knew that six of the eight farms still owed a total of approximately $3.9 million.

ANSWER: Defendants admit the allegations set forth in paragraph 87 of the Amended Complaint.

88. By July 15, 2014, Risinger and Haab knew that five of the eight farm loans were long past due, and that the unpaid balance on those loans was over $3 million. Neither Risinger nor Haab disclosed these facts to investors in the 2014 Offering, even though new investors continued to invest in the 2014 Offering throughout this period of time and after July 15.

ANSWER: Regarding the allegations set forth in paragraph 88 of the Amended Complaint, Defendants deny that as of July 15, 2014 Risinger and Haab knew that five of the eight farm loans were long past due, and that the unpaid balance on those loans was over $3 million since FarmGrowCap had entered into new agreements with the Crossroads, Boyer and Kirbach farms, but admit that Risinger and Haab knew that as of July 15, 2014, the Bassen and Williams farms loans were past due; and further admit that investors in the 2014 Offering were not told the fact that the Williams farm loan was past due or that for varying periods of time in 2014 that the Kirbach Farms loan was approximately one month past due, the Crossroads Farms loan was approximately one month past due, and the Boyer Farms loan had been past due. Defendants lack knowledge or information sufficient to form a belief as to the remaining allegations and therefore deny them.

89. The 2014 Offering included loans to seven farms. The PPM for the 2014 Offering stated that three farm loans totaling $7.8 million already had been sourced for the 2014 crop season; that FarmGrowCap had provided funding to each of these farms during the previous 2013 crop season; and that "each [loan] performed well in 2013." The PPM also stated that FarmGrowCap may make additional loans, provided that such loans were farming-related and consistent with the guideline of being highly collateralized.

ANSWER: Noting that the 2014 Offering speaks for itself, Defendants admit the allegations set forth in paragraph 89 of the Amended Complaint.

90. The PPM for the 2014 Offering disclosed that one of the three pre-arranged

farm loans would include a $130,000 balance owed from 2013. However, the PPM failed to disclose that the 2014 operating loans to three other farms, including Farm A and Farm B, would include unpaid balances from 2013 of approximately $3 million.

ANSWER: Regarding the allegations set forth in paragraph 90 of the Amended Complaint, Defendants note that the 2014 Offering speaks for itself; Defendants admit that the PPM for the 2014 Offering disclosed that one of the three pre-arranged farm loans, for Boyer Farms, would include a $130,000 balance owed from 2013; deny that the PPM failed to disclose that the 2014 operating loans to three other farms, including Crossroads Farm A and Kirbach Farm B, would include unpaid balances from 2013 of approximately $3 million; admit that the PPM for the 2014 Offering did not disclose that the 2014 operating loan to the Kirbach farm would include unpaid balances from the 2013 Offering, noting that the PPM for the 2014 Offering did not disclose that a loan, of any type, would be made to the Kirbach farm by FarmGrowCap (using the proceeds of the 2014 Offering); and admit the PPM for the 2014 Offering failed to specifically disclose that the 2014 loan to Crossroads Farm A and the third farm referenced in the second sentence of paragraph 90 would include unpaid balances from 2013.

91. The PPM for the 2014 Offering also disclosed that FarmGrowCap would provide a pre-arranged $3.6 million "operating" loan to Farm C. The PPM listed Farm C as one of the "returning loan customer[s] from 2013" that had "performed well in 2013."

ANSWER: Noting that the 2014 Offering speaks for itself, Defendants admit the allegations set forth in paragraph 91 of the Amended Complaint.

92. In fact, Farm C failed to repay approximately $1.5 million of its 2013 operating loan. That loan was due December 31, 2013, and Risinger, Senefeld, and Haab all knew that the 2013 operating loan to Farm C was in default at the time Risinger prepared the PPM.

ANSWER: Defendants admit the allegations set forth in paragraph 92 of the Amended Complaint as it relates to the Williams Farm.

93. The PPM for the 2014 Offering also discussed a potential 2014 operating loan to Farm A. However, the PPM did not disclose that the anticipated loan would include unpaid balances from its 2013 operating loan. Because Farm A failed to repay about $1.4 million of its 2013 "operating" loan (which itself included unpaid 2012 debt), that entire amount due and owing was carried forward into 2014 and constituted the entire 2014 operating loan to Farm A.

ANSWER: Noting that the 2014 Offering speaks for itself, Defendants admit that the PPM for the 2014 Offering discussed a potential 2014 operating loan to Crossroads Farm A; deny the allegations in the second sentence of said paragraph since there was a suggestion that some of the Offering funds might be used to refinance a part of the 2013 Crossroads Farm A unpaid debt; admit that the PPM for the 2014 Offering did not specifically disclose that the anticipated loan would include unpaid balances from its 2013 operating loan; and deny the allegations in the third sentence of said paragraph since there was a repayment as a result of the refinancing (completed with Crossroads Farm A by FarmGrowCap using proceeds from the 2014 Offering); and deny any remaining allegations.

94. Accordingly, Farm A received no fresh operating capital for the 2014 crop season. The 2014 loan was not an operating loan but was simply an extension of the 2013 loan from the 2013 Offering. This information was not disclosed in the PPM. And Haab, Risinger, and Senefeld all knew as early as February 2014 that Farm A's unpaid 2013 loan balance would be carried forward into a new 2014 loan.

ANSWER: Defendants admit the allegations set forth in the first and third sentences of Paragraph 94; and admit that the 2014 loan was not an operating loan but was an extension of part of the 2013 loan balance (after FarmGrowCap LLC required the 2013 loan balance to be paid down. Defendants deny that Haab, Risinger, and Senefeld all knew as early as February 2014 that Farm A's unpaid 2013 loan balance would be carried forward into a new 2014 loan; and deny that the 2014 loan was simply an extension of the

2013 loan from the 2013 Offering.

95. The third loan, to Farm B, was not mentioned in the PPM for the 2014 Offering, despite the fact that it was finalized on March 25, 2014, before the PPM was issued. Senefeld signed the Farm B loan extension - which was drafted by Risinger - a few days before the PPM was finalized. Farm B had repaid only a fraction of its 2013 loan (which also included unpaid 2012 debt), and the unpaid balance of $325,000 was carried over into the 2014 loan to Farm B.

ANSWER: Defendants admit that the loan to Farm B Kirbach Farms was not mentioned in the PPM for the 2014 Offering; admit that the Farm B Kirbach Farms loan extension was drafted on or about March 25, 2014 by an employee of PinCap LLC (at the direction of Senefeld); and deny any remaining allegations.

96. Farm B received no fresh operating capital from the 2014 crop season and the 2014 loan was not an operating loan but simply an extension of the 2013 debt owed from the 2013 Offering. This information was not disclosed in the PPM. Haab, Senefeld and Risinger all knew that Farm B's unpaid 2013 loan balance would be carried forward into a new 2014 loan.

ANSWER: Noting that the 2014 Offering speaks for itself, Defendants admit Farm B did not receive fresh operating capital, but otherwise deny the remaining allegations in paragraph 96.

97. According to Risinger, before the end of February 2014, Haab, Risinger and Senefeld all anticipated that loan balances owed under these and potentially other 2013 operating loans would be included in the loans issued by the 2014 Offering. Risinger had informed Haab and Senefeld that VFLH would need to transfer all of the 2013 loans to FarmGrowCap for the 2014 Offering in order to accomplish this goal. However, this plan was not disclosed to investors, and no agreement to transfer the loans was ever prepared.

ANSWER: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and therefor denies them.

98. In late August 2014, Haab was asked by a third party why a payment to investors in the 2013 Offering was coming from the bank account for the 2014 Offering. Haab replied, falsely, that a couple of "2013 operating loans ... have been legally transferred to [the 2014 Offering] as 2014 loans due to the underlying farms needed some extended time to repay them in full."

ANSWER: Defendants admit that in late August 2014, Haab was asked by a representative from Millennium Trust Company why a payment to investors in the 2013 Offering of VFLH was received from FarmGrowCap LLC instead of from VFLH; admit that Haab replied "These repayments occurred from FarmGrowCap as there were a couple of 2013 operating loans held by Veros Farm Loan Holding that have been legally transferred to FarmGrowCap as 2014 loans due to the underlying farm's needing some extended time to repay them in full"; and deny all remaining allegations in paragraph 98.

99. At that time, there was no written agreement transferring any of the 2013 loans to the 2014 Offering. The next month, in September 2014, Risinger drafted an agreement between VFLH and FarmGrowCap purporting to transfer outstanding loan balances from the 2013 Offering to the 2014 Offering. Risinger backdated the agreement to July 15, 2014, and Haab signed it. This backdated agreement was not disclosed to investors in either the 2013 Offering or the 2014 Offering.

ANSWER: Defendants admit the allegations set forth in the first sentence of paragraph 99, noting that a written agreement transferring the 2013 loans to the 2014 Offering was not necessary. Defendants admit the allegations set forth in the second sentence of said paragraph 99, noting that the purpose of the agreement referenced was not to transfer outstanding loan balances from the 2013 Offering to the 2014 Offering, but rather to memorialize the prior understanding of Haab, Risinger and Senefeld (which had been set out in prior emails). Defendants admit the allegations set forth in the third and fourth sentences of paragraph 99.

100. In 2014, Senefeld negotiated a loan extension for Farm A on behalf of

FarmGrowCap. In exchange, FarmGrowCap received a $70,000 "extension" fee from the 2014 Offering funds. Thus, Senefeld and Risinger were paid three times - once for the 2012 operating loan to Farm A, once in connection with the 2013 Offering, and again in connection with the 2014 Offering - for the same $1.4 million loan balance that Farm A had carried forward from 2013 into 2014 (and a portion of which had been carried over from 2012).

ANSWER: Defendants admit the first sentence and deny the remaining allegations in paragraph 100.

101. Senefeld also negotiated a loan extension for Farm B on behalf of FarmGrowCap. In exchange, FarmGrowCap received a $10,000 fee. The PPM for the 2014 Offering did not disclose the payment of "extension" fees on unpaid 2013 loans extended into 2014.

ANSWER: Noting that the 2014 Offering speaks for itself, Defendants admit the first sentence and deny the remaining allegations in paragraph 101.

102. Currently, investors in the 2014 Offering are owed around $9 million in principal and interest. Much of that amount represents amounts owed to investors in the 2013 Offering and 2014 Bridge Loan Offering that were "rolled over" into the 2014 Offering.

ANSWER: Defendants admit the allegations in paragraph 102.

103. As of late March 2015, of the eight farm loans funded by the 2014 Offering, seven were past due. The outstanding balance on those past due loans was approximately $7 million. Of that amount, roughly $3 million is owed by Farm C. Litigation recently was initiated to collect that amount, and that litigation is not expected to be resolved in the near future.

ANSWER: Defendants lack knowledge regarding the characterization that "litigation is not expected to be resolved in the near future" and therefore deny that, deny the second sentence, but otherwise admit the allegations in paragraph 103.

104. Haab and Risinger each acknowledged, during their SEC testimony, that the investors in the 2014 Offering investors will not be repaid in full by April 30, 2015, and it is unknown when they can be repaid.

ANSWER: Defendants admit the allegations set forth in paragraph 104 of the Amended Complaint.

105. Even if the farms were able to repay the full $7 million in loans they currently owe, FarmGrowCap would be unable to pay investors the remaining $2 million. The bank account for the 2014 Offering had less than $220,000 as of March 31, 2015, and FarmGrowCap has no significant assets or resources.

ANSWER: Defendants admit that even if the farms to whom FarmGrowCap LLC made loans repay such loans in full, FarmGrowCap LLC will be unable to fully repay the amount owed by FarmGrowCap LLC to the investors in the 2014 Offering; admit that FarmGrowCap LLC has no significant assets or resources other than the loan payables owing by the farms to whom FarmGrowCap LLC made loans. Defendants deny the remaining allegations set forth in paragraph 105.

106. Although PinCap guaranteed FarmGrowCap's obligation to repay investors in the 2014 Offering, PinCap had only $16,327 in its bank account as of March 31, 2015. To date PinCap's only income has been the fees it received from the 2013 Offering and 2014 Offering.

ANSWER: Defendants admit that PinCap LLC guaranteed FarmGrowCap LLC's obligation to repay investors in the 2014 Offering, admit the remaining allegations in paragraph 106.

107. PinCap's only other potential source of income is distributions from Pin Financial, its broker-dealer subsidiary, to be generated from other private offerings. However, Risinger testified that he was unsure whether any fees received by Pin Financial could be transferred to PinCap to allow it make good on its guarantee to the investors in the 2014 Offering.

ANSWER: Defendants admit that PinCap LLC's only other potential source of income was and is distributions from PIN Financial LLC, a broker-dealer wholly-owned by PinCap LLC, such distributions to be generated from profits that may be derived from other private offerings or other financial consulting services that may be performed by PIN Financial LLC; admit that Risinger testified that PIN Financial LLC was currently working on a project that involved a large private equity firm as a potential investor in a farm client of PIN Financial LLC (which project did not involve clients of Veros Partners, Inc. as investors), which project, if completed, would generate a fee for PIN Financial LLC of approximately $480,000; admit that Risinger testified that PinCap LLC was committed to making profits from PIN Financial LLC's business, to the fullest extent permitted, to honor PinCap LLC's guaranty of the obligations of FarmGrowCap LLC and testified that he expected such profits to be available, but did not know how much profit would be available (after PIN Financial LLC satisfied its net capital requirement, to which Risinger testified was not a big dollar amount, and paid its expenses). Defendants deny the remaining allegations set forth in paragraph 107 of the Amended Complaint.

108. In his SEC testimony, Haab admitted that he is currently soliciting Veros clients to invest in new or pending private offerings. And both Risinger and Senefeld testified that, through Pin Financial, they expect to receive origination fees in connection with new farm loans, including from an ongoing offering to Veros clients for which almost $10 million has been raised to date.

ANSWER: Defendants note that the transcripts of Haab's, Risinger's and Senefeld's testimony speaks for themselves. Defendants admit Haab testified he was soliciting investors for other private offerings unrelated to the farm loans, and deny any remaining allegations in paragraph 108.

109. Moreover, the 2014 Offering is just one of 28 Veros private offerings that are still in operation. As of February 28, 2015, investors in those other offerings, several of which mature this year, were still owed over $44 million.

ANSWER: Defendants admit the allegations in paragraph 109.

110. Given Haab and Risinger's conduct described herein, there is a substantial likelihood that, with assistance from Senefeld, they will continue their fraudulent activities unless immediately enjoined.

ANSWER: Defendants deny the allegations set forth in paragraph 110 of the Amended Complaint.

COUNT I

Violations of Section 10(b) of the Exchange Act, and Exchange Act Rule 10b-5 (Against All Defendants)

111. Paragraphs 1 through 110 are realleged and incorporated by reference as though fully set forth herein.

ANSWER: Defendants incorporate by reference herein their answers to paragraphs 1 through 110 of the Amended Complaint as their answer to paragraph 111 of the Amended Complaint.

112. Defendants, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and by the use of the mails, directly and indirectly: (a) used and employed devices, schemes and artifices to defraud; (b) made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices and courses of business which operated or would have operated as a fraud and deceit upon sellers and purchasers and prospective purchasers of securities.

ANSWER: Defendants deny the allegations in paragraph 112 of the Amended Complaint.

113. Defendants acted with *scienter* in that they knowingly or recklessly made the material misrepresentations and omissions and engaged in the fraudulent scheme described above.

ANSWER: Defendants deny the allegations set forth in paragraph 113 of the Amended Complaint.

114. By reason of the foregoing, Defendants violated Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5].

ANSWER: Defendants deny the allegations set forth in paragraph 114 of the Amended Complaint.

COUNT II

Violations of Section 17(a)(1) of the Securities Act (Against All Defendants)

115. Paragraphs 1 through 110 are realleged and incorporated by reference as though fully set forth herein.

ANSWER: Defendants incorporate by reference herein their answers to paragraphs 1 through 110 of the Amended Complaint as their answer to paragraph 115 of the Amended Complaint.

116. By engaging in the conduct described above, Defendants, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, have employed devices, schemes and artifices to defraud.

ANSWER: Defendants deny the allegations set forth in paragraph 116 of the Amended Complaint.

117. Defendants acted with *scienter* in that they knowingly or recklessly made the untrue statements and omissions and engaged in the devices, schemes, artifices, transactions, acts, practices and courses of business described above.

ANSWER: Defendants deny the allegations set forth in paragraph 117 of the Amended Complaint.

118. By reason of the foregoing, Defendants violated Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(l)].

ANSWER: Defendants deny the allegations set forth in paragraph 118 of the Amended Complaint.

COUNT III

Violations of Sections 17(a)(2) and (a)(3) of the Securities Act (Against All Defendants)

119. Paragraphs 1 through 110 are realleged and incorporated by reference as though fully set forth herein.

ANSWER: Defendants incorporate by reference herein their answers to paragraphs 1 through 110 of the Amended Complaint as their answer to paragraph 119 of the Amended Complaint.

120. By engaging in the conduct described above, Defendants, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, have:

i. obtained money or property by means of untrue statements of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

ii. engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

ANSWER: Defendants deny the allegations in paragraph 120.

121. By reason of the foregoing, Defendants have violated Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. § 77q(a)(2)-(3)].

ANSWER: Defendants deny the allegations in paragraph 121.

COUNT IV

Violations of Sections 206(1) and (2) of the Investment Advisers Act (Against Defendants Matthew D. Haab and Veros Partners, Inc.)

122. Paragraphs 1 through 110 are realleged and incorporated by reference as though fully set forth herein.

ANSWER: Defendants incorporate by reference herein their answers to paragraphs 1 through 110 of the Amended Complaint as their answer to paragraph 122 of the Amended Complaint.

123. At all relevant times, Defendants Haab and Veros acted as investment advisers. Haab and Veros managed the investments in exchange for compensation in the form of fees.

ANSWER: Defendants admit the allegations in paragraph 123.

124. Haab and Veros, while acting as investment advisers, by use of the mails or the means and instrumentalities of interstate commerce, directly or indirectly: (a) employed devices, schemes or artifices to defraud any clients or prospective clients; or (b) engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon any clients or prospective clients.

ANSWER: Defendants deny the allegations in paragraph 124.

125. Haab and Veros knowingly, recklessly or negligently engaged in the fraudulent conduct described above.

ANSWER: Defendants deny the allegations in paragraph 125.

126. By engaging in the conduct described above, Defendants Haab and Veros violated Section 206(1) and (2) of the Advisers Act [15 U.S.C. §80b-6(l) and 6(2)].

ANSWER: Defendants deny the allegations in paragraph 126.

COUNT V

Violations of Sections 206(4) of the Investment Advisers Act and Rule 206(4)-2 thereunder (Against Defendant Veros Partners, Inc.)

127. Paragraphs 1 through 110 are realleged and incorporated by reference as though fully set forth herein.

ANSWER: Defendants incorporate by reference herein their answers to paragraphs 1 through 110 of the Amended Complaint as their answer to paragraph 127 of the Amended Complaint.

128. Defendant Veros Partners, Inc., while acting as an investment adviser, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, engaged in acts, practices, or courses of conduct which are fraudulent, deceptive or manipulative by maintaining custody of client funds or securities without either, engaging a qualified custodian to maintain and segregate those funds or securities; or verifying all of the funds or securities within its custody through an annual, unannounced audit by an independent public accountant.

ANSWER: Defendants deny the allegations in paragraph 128.

129. By reason of the foregoing, Defendant Veros Partners, Inc. has violated Section 206(4) of the Advisers Act [15 U.S.C. §80b-6(4)-2 thereunder [17 C.F.R. § 275.206(4)-2].

ANSWER: Defendants deny the allegations in paragraph 129.

COUNT VI

(Against Relief Defendant PinCap Financial LLC)

130. Paragraphs 1 through 110 are realleged and incorporated by reference as if fully set forth herein.

131. **ANSWER**: Defendants incorporate by reference herein their answers to paragraphs 1 through 110 of the Amended Complaint as their answer to paragraph 130

of the Amended Complaint.

132. Relief Defendant Pin Financial LLC received improper and illegal transfers of investor money from the Defendants, even though it had no right to receive any investor funds.

ANSWER: Since no allegations are made with regard to Defendants, nor any cause of action asserted against them, no response is required nor is any made. To the extent any of said allegations may be construed or interpreted to be against Defendants, said allegations are denied.

133. By reason of the foregoing, Relief Defendant Pin Financial LLC has been unjustly enriched and may be compelled to return any investor funds it still holds, and may be found liable for the remaining transfers it received.

ANSWER: Since no allegations are made with regard to Defendants, nor any cause of action asserted against them, no response is required nor is any made. To the extent any of said allegations may be construed or interpreted to be against Defendants, said allegations are denied.

WHEREFORE, Defendants, by counsel, respectfully prays that the Court enter such findings, conclusions and orders as are supported by the evidence, and for such other relief as the Court may deem just and proper.

SEPARATE DEFENSES

1. Plaintiffs' Complaint fails to state a claim upon which relief may be granted.

2. Plaintiffs fail to plead fraud and *scienter* with the required specificity.

Respectfully submitted,

/s/ John F. McCauley

J. Richard Kiefer (5176-49)
John F. McCauley (20715-12)

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CERTIFICATE OF SERVICE

I hereby certify that on the 29th day of June, 2015, a copy of the foregoing "Answer of Defendants Veros Partner, Farm Loan Holding, LLC and Matthew D. Haab" was filed electronically using the CM/ECF system and is available to all counsel of record using same.

/s/ John F. McCauley