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

DIVISION OF SECURITIES
UTAH DEPARTMENT OF COMMERCE,

Plaintiff,

vs.

LIFE PARTNERS, INC., a Texas Corporation
LIFE PARTNERS HOLDINGS, INC., a
Texas Corporation, and
MARK BRUCE SUTHERLAND, a Nevada
resident,

Defendants.

**DEFENDANT LIFE PARTNERS,
INC.'S ANSWER AND DEFENSES**

Civil No.: 2:06cv00968 PGC

Judge: Paul G. Cassell

Defendant Life Partners, Inc. ("LPI") submits this Answer and Defenses to the Plaintiff's Order to Show Cause. Each numbered paragraph responds to the corresponding paragraph in Plaintiff's Order to Show Cause dated October 20, 2006.

ANSWER

STATEMENT OF JURISDICTION

1. LPI admits that the Utah Securities Division has asserted jurisdiction over alleged violations of the Utah Securities Act. LPI denies that any such violation of the Utah Securities Act has occurred in this matter.

STATEMENT OF FACTS

The Respondents

2. Admitted.
3. Admitted.
4. LPI admits that Sutherland is a resident of Nevada. LPI lacks sufficient knowledge to admit or deny the remaining allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

General Allegations

5. Denied.
6. The allegation consists of a legal conclusion to which no response is required. LPI denies any factual allegation and demands strict proof thereof.

7. LPI denies that it maintained an information booth and gave a presentation at a mortgage seminar in Salt Lake County, Utah in or about October 2005. LPI lacks sufficient knowledge to admit or deny the remaining allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

8. LPI denies that Sutherland is its agent. LPI denies that it had any agents staffing a booth for LPI at a mortgage seminar in Salt Lake County, Utah in or about October 2005. LPI denies that it had any agents giving a presentation at a mortgage seminar in Salt Lake County, Utah in or about October 2005. LPI lacks sufficient knowledge or information to admit or deny the remaining allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

9. LPI lacks sufficient knowledge or information to admit or deny the allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

10. LPI lacks sufficient knowledge or information to admit or deny the allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

11. LPI lacks sufficient knowledge or information to admit or deny the allegations. Accordingly, LPI denies the allegation and demands strict proof thereof.

12. LPI admits that Morgan Bay Management, LLC entered into a Licensee Agreement Under Master Licensee with LPI on or about October 14, 2005. LPI admits that Edward Raine, LLC entered into a Licensee Agreement Under Master Licensee with LPI on or about January 10, 2006. LPI admits that Alpha & Omega Global Risk Management, LP was designated as the "Master Licensee" in the Licensee Agreement Under Master Licensee between

LPI and Morgan Bay Management LLC. LPI lacks sufficient knowledge or information to admit or deny the remaining allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

13. LPI lacks sufficient knowledge or information to admit or deny the allegation regarding Sutherland's communications to "M.B.C." LPI denies that Alpha & Omega Global Risk Management, LP is its subsidiary. All remaining allegations are denied.

14. LPI lacks sufficient knowledge or information to admit or deny the allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

15. LPI admits that pursuant to Policy Funding Agreements that chose Texas law to govern the transaction, and after "M.B.C." had executed an Accredited Investor Suitability Form, wherein "M.B.C." warranted, among other things, that he was an accredited investor as defined in SEC Rule 501 under Regulation D, LPI facilitated "M.B.C.'s" Texas purchase of \$10,000 in life insurance interests in two insurance policies. LPI lacks sufficient knowledge or information to admit or deny the remaining allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

16. LPI admits that a resident of Connecticut forwarded \$40,000 to an independent escrow agent in Texas. LPI admits that pursuant to Policy Funding Agreements that chose Texas law to govern the transaction, and after the Connecticut resident had executed an Accredited Investor Suitability Form, wherein the Connecticut resident warranted, among other things, that he was an accredited investor as defined in SEC Rule 501 under Regulation D, LPI facilitated the Connecticut resident's purchase of \$28,000 in interests in several life insurance policies. LPI

admits that the independent escrow agent returned \$12,000 to the Connecticut resident upon the Connecticut resident's request. LPI admits that a resident of California and a resident of Tennessee executed Accredited Investor Suitability Forms, wherein they warranted, among other things, that they were accredited investors as defined in SEC Rule 501 under Regulation D, forwarded funds to an independent escrow agent in Texas, and later received a return of their funds upon request without purchasing any interests in life insurance policies. LPI lacks sufficient knowledge or information to admit or deny the remaining allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

17. LPI admits that the Licensee Agreement Under Master Licensee with Morgan Bay Management, LLC and Edward Raine, LLC has a handwritten notation of "5% - pay/override" on the face of the documents. LPI admits that LPI did not pay "M.B.C." or Edward Raine a commission on "M.B.C.'s" purchase. LPI lacks sufficient knowledge or information to admit or deny the remaining allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1 of the Act

(Life Partners, Life Partners Holdings, and Sutherland)

18. LPI incorporates and re-asserts its responses to paragraphs 1 through 17.

19. The allegation consists of a legal conclusion to which no response is required. All factual allegations are denied.

20. Denied.

21. The Order to Show Cause omits any paragraph 21.

22. Denied.

23. Denied.

COUNT II

Sale by an Unlicensed Agent § 61-1-3(1) of the Act

(Sutherland)

24. LPI incorporates and re-asserts its responses to paragraphs 1 through 18.

25. This paragraph contains no allegations regarding LPI, therefore no response is needed. To the extent that a response is required, LPI lacks sufficient knowledge or information to admit or deny the allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

26. Denied.

27. This paragraph contains no allegations regarding LPI, therefore no response is needed. To the extent that a response is required, LPI lacks sufficient knowledge or information to admit or deny the allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

28. This paragraph contains no allegations regarding LPI, therefore no response is needed. To the extent that a response is required, LPI lacks sufficient knowledge or information to admit or deny the allegations. Accordingly, LPI denies the allegations and demands strict proof thereof.

COUNT III

Employing an Unlicensed Agent § 61-1-3(2) of the Act

(Life Partners, Life Partners Holdings)

- 29. LPI incorporates and re-asserts its responses to paragraphs 1 through 18.
- 30. Denied.
- 31. Denied.

COUNT IV

Sale of an Unregistered Security § 61-1-7 of the Act

(Life Partners, Life Partners Holdings, and Sutherland)

- 32. LPI incorporates and re-asserts its responses to paragraphs 1 through 18.
- 33. The allegation consists of a legal conclusion to which no response is required. All factual allegations are denied.
- 34. Denied.
- 35. LPI admits that it did not register the purchase of interests in insurance policies LPI facilitated in Texas, pursuant to contracts that chose Texas law, or file a claim of exemption under the Utah Uniform Securities Act. All remaining allegations are denied.
- 36. Denied.

AFFIRMATIVE DEFENSES

In addition to the responses asserted above, LPI asserts the following defenses to the allegations in the Order to Show Cause:

1. The allegations in the Order to Show Cause fail to state a claim upon which relief can be granted.
2. Enforcement of the Order to Show Cause would violate the Dormant Commerce Clause of the U.S. Constitution.
3. Enforcement of the Order to Show Cause is preempted by the National Securities Markets Improvement Act.
4. The fine sought by the Plaintiff in the Order to Show Cause is excessive and violates the Excessive Fines Clause of the 8th and 14th Amendments to the U.S. Constitution.
5. The Order to Show Cause must be dismissed for transactions that occurred outside of Utah.
6. To the extent that the Order to Show Cause alleges any transactions that are deemed to have occurred in Utah, such transactions were exempt under the Utah Securities Act because each alleged purchaser warranted that they were Accredited Investors.
7. To the extent that the Order to Show Cause alleges that potential purchasers were referred to LPI but did not purchase any life insurance interests, no sale or transaction subject to the Utah Uniform Securities Act occurred, and no commission or other remuneration was paid.
8. At all relevant times LPI acted in good faith and exercised reasonable care.

9. LPI reserves the right to assert any other defense that may be warranted based upon the allegations in the Order to Show Cause or that may become apparent after further factual development.

Dated this 28th day of November, 2006.

RAY, QUINNEY & NEBEKER

/s/ Ryan B. Bell

Mark W. Pugsley

Ryan B. Bell

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and Life Partners Holdings, Inc.*

Of counsel

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CERTIFICATE OF SERVICE

I hereby certify that on the 28th day of November, 2006, I electronically filed the foregoing **DEFENDANT LIFE PARTNERS, INC.'S ANSWER AND DEFENSES** with the Clerk of Court using the CM/ECF system which sent notification of such filing to the following:

Jeffery Buckner, Esq.
Assistant Attorney General
160 E. 300 South, Fifth Floor
P.O. Box 140872
Salt Lake City, UT 84114-0872

And mailed, postage prepaid, to the following:

Administrative Court Clerk
c/o Pam Radzinski
Utah Division of Securities
P.O. Box 146760
Salt Lake City, UT 84114-6760

John A. Snow
Van Cott, Bagley, Cornwall & McCarthy
50 South Main Street, Suite 1600
Salt Lake City, Utah 84144

/s/ Jeanette Evans_____

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