BEFORE THE HEARING BOARD
OF THE
ILLINOIS ATTORNEY REGISTRATION
AND
DISCIPLINARY COMMISSION

In the Matter of:

RANDALL S. GOULDING Commission No. 2024PR00080

Attorney-Respondent, No. 1025619.

ANSWER TO AMENDED COMPLAINT

Respondent, Randall S. Goulding, originally licensed to practice law in the State of Illinois on May 19, 1978, has _not_ engaged in any conduct which should subject him to discipline pursuant to Supreme Court Rule 770, or otherwise, and upon an actual examination of the underlying facts, the Administrator cannot prove, let alone by clear and convincing evidence, that Respondent violated the Rules of Professional Conduct, which he did not:

Respondent's *Conduct was Proper. Respondent did not engage in any Dishonesty, Fraud, Deceit or Misrepresentation. Only the SEC attorneys and the Receiver Engaged in such Misconduct, for which there is Ample Evidence for the Administrator to Pursue. But the Administrator's Representatives Do Not Care about Such Misconduct of Government Employees and Have Not Even Asked about Such Blatant Misconduct. The SEC Attorneys and the Receiver, at least one time occurring in Concert, also Engaged in Multiple Acts of Fraud, Dishonesty and Deceit in Their Misrepresentations to the Court, which, as a Separate Matter, the Administrator Should have Pursued.*

In an Attorney Disciplinary Proceeding, the Administrator of the Attorney Registration and Disciplinary Commission has the Burden of Proving the Allegations by Clear and Convincing Evidence. _In re Thomas_, Illinois Supreme Court, Jan 20, 2012, 962 N.E.2d 454. By contrast, in the SEC's proceeding, the court only made determinations by a "preponderance of evidence".

The* Administrator's *Burden of Proof, by clear and convincing evidence, is Not Sustainable.

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A. *Introduction*

1. In 2003, Respondent co-founded an investment advisory firm named The Nutmeg Group, LLC ("Nutmeg"), to make investments and to provide investment advice to unregistered investment pools. Prior to June 7, 2007, when it registered as an investment advisor with the federal Securities and Exchange Commission ("SEC"), Nutmeg operated without being registered due to its small size. As of 2007, though, Nutmeg had fifteen advisory clients, all of which were limited partnerships organized in either Illinois or Minnesota. Each advisory client was organized as a fund ("the Funds"), and collectively included 328 individuals or entities who participated in the Funds as limited partners. The investors invested their money with the Funds, which then purchased securities issued by companies[1] with market capitalization less than $50 million. As of 2007, Nutmeg claimed that the total amount of assets it had under management in the various Funds was approximately $32 million.

ANSWER: Respondent admits the material allegations of this paragraph.

2. Initially, each Fund was invested in a single company, but Nutmeg's practices changed around 2005 when it opened Funds that invested in more than one company.

ANSWER: Respondent admits that the first investment was in a single company, but that thereafter, prior to 2005, investments were in multiple companies. Otherwise, Respondent admits the material allegations of this paragraph.

3. In 2006, Respondent became Nutmeg's sole owner and managing member. Respondent held those positions until 2009, when he and Nutmeg were sued by the SEC. Respondent is also an accountant, and his law firm, The Law Offices of Randall S. Goulding & Associates, P.C., shared office space with Nutmeg and provided legal

services to Nutmeg and the Funds. Respondent made the decision for Nutmeg to hire his law firm to provide legal services for Nutmeg and the Funds, and Nutmeg was the firm's only client and sole source of income.

ANSWER: Respondent denies "Nutmeg [hired] his law firm to provide legal services for Nutmeg and the Funds" and further denies that Nutmeg was the law firm's "sole source of income", as there was *no compensation ever paid by Nutmeg* to his law firm for legal services, only it is out-of-pocket expenses were reimbursed. Instead, the SEC's own exhibits (PX 43) demonstrate that the entire $642,422 net amounts received, by and for Respondent, including the law firm, directly and indirectly, was less than the amount to which he was entitled to receive according to agreements approved by Nutmeg's investors. And this is separate from Respondent's returns on his investments in Nutmeg. Indeed, as is evident from the SEC's own exhibits (PX 43) the $642,422 provides no credit for any of Respondent's entitlements, including returns on his own investments in, including his legal and advisory services. Yet, Respondent invested in every fund managed by Nutmeg. Moreover, one particular investment was funded almost entirely by the $660,000 from Respondent's HELOC (PX 43). Yet, as further explained below, this investment produced a $2,500,000 investment return. Yet, none of that $2,500,000 was credited to Respondent. Otherwise, Respondent admits to the other material allegations of this paragraph.

4. As Nutmeg's owner and managing member, Respondent oversaw all of Nutmeg's operations and employees, determined who to hire, prepared the Funds' offering documents, identified investment opportunities, negotiated investment terms, made investment decisions for the Funds, approved the transfer of funds and payment of expenses for both Nutmeg and the Funds, approved expenses incurred by Nutmeg (including payments made to Respondent or for his benefit), and was responsible for the books and records of both Nutmeg and the Funds. In Nutmeg's annual filings with the SEC, Nutmeg identified Respondent as its Chief Compliance Officer, whose responsibility it was to ensure that Nutmeg complied with the federal securities laws, including the Investment Advisers Act of 1940.

ANSWER: Respondent denies that he "approved the transfer of funds and payment of [all] expenses for both Nutmeg and the Funds, approved [all] expenses incurred by Nutmeg", but otherwise admits to the remaining material allegations of this paragraph.

B. ***Respondent properly Valued and Represented to Investors the Value of the Funds, in Accordance with FAS 157, the Federal Accounting Standard's Board ("FASB") standard. In particular, Goulding attempted (and as he and his attorneys believe, succeeded) in valuing these securities according to Financial Accounting Standard 157, promulgated as Accounting Standard Codification 820 (hereinafter "FAS 157/ASC 820"), the standard set by the SEC, particularly applicable to publicly traded stocks. That is the conventional approach for publicly traded stocks and the most defensible in the most objective. More significantly, the Administrator cannot establish that using the SEC standard and the FASB standard for valuing securities – using the published prices for such stocks for valuation, is wrongful, let alone, by Clear and Convincing Evidence.*** **Goulding Should Not Be Disciplined Based on Valuation Methodology that He Used, Since that Methodology Was Consistent With FASB Guidance, and Mandated, Since the SEC Requires Compliance with FASB Guidance.**

See SEC, "Policy Statement: Reaffirming the Status of the FASB as a Designated Private-Sector Standard Setter," Release Nos. 33-8221; 34-47743; IC-26028; FR-70. See https://www.sec.gov/rules/policy/33-8221.htm.

5. Beginning in at least 2008, Respondent caused Nutmeg to make false statements about the value of various Funds to the SEC and to investors in those Funds. During an examination by SEC staff in relating to the first quarter of 2008, Respondent was asked to substantiate claims regarding the value of Nutmeg's four largest Funds (known as Michael, Fortuna, Mercury and Stealth). The information Respondent provided overstated the value of the Mercury Fund by $485,479, overstated the value of the Stealth Fund by $578,000, and misstated the values of the Michael and Fortuna Funds because Nutmeg, at Respondent's direction, had commingled those Funds' assets with other Funds, or paid out distributions due to the Michael or Fortuna Funds and rolled some of those distributions to a separate Fund held in Nutmeg's name, rather than in the name of Michael or Fortuna.

ANSWER: Respondent denies the material allegations of this paragraph, denying specifically that there was any valuation overstatement. Respondent also affirmatively states that:

There was no valuation overstatement. The entirety of this issue was a battle of two valuation experts, one of whom used the SEC and industry standard of employing the published market price per share (per the SEC standard and the FASB standard for valuing securities), while the SEC expert went by a little used standard which appears to be most used only when there is no published price per share, unlike in the case at hand. Respondent should not be penalized for using the industry standard, set by, and even mandated by, the SEC and by the FASB. And there is certainly *no clear and convincing evidence of any valuation overstatement* whatsoever.

6. Respondent also caused Nutmeg to send false investor account statements to its investors about the performance of various Funds and the investors' cash position, due to Respondent's failure to properly allocate up to $1 million in rolled-over assets to certain Funds and his decision to describe as "cash" investments in unallocated and illiquid securities.

ANSWER: Respondent denies the material allegations of this paragraph and incorporates herein by this reference, his response to paragraph 5 above.

7. The statements Respondent caused Nutmeg to make to the SEC and to Nutmeg's investors, described in paragraphs five and six, above, were false, because they were based on incomplete, inaccurate or deliberately misstated stock prices, overstated sales prices, inflated share holdings, and commingled or misallocated assets.

ANSWER: Respondent denies the material allegations of this paragraph and incorporates herein by this reference, his response to paragraph 5 above.

8. Respondent knew or should have known that the statements he caused Nutmeg to make to the SEC and to Nutmeg's investors, described in paragraphs five and six, above, were false, because they were based on incomplete, inaccurate or

deliberately misstated stock prices, overstated sales prices, inflated share holdings, and commingled or misallocated assets.

ANSWER: Respondent denies the material allegations of this paragraph and incorporates herein by this reference, his response to paragraph 5 above.

C. ***Respondent Never Used Nutmeg Assets for His Own Purposes. Nor Did He Take or Use Any Assets in Excess of That to Which He was Entitled. In More Than 9 Years, Including the 5 Years Preceding the Lawsuit, and Thereafter to Assist in the Transition to The Receivership, the Net Amounts Respondent Received were Determined by the Court to be only $642,422. That Amount Is Hardly Sufficient to Cover Compensation for His Full-Time Work For Nutmeg, let alone Sufficient to Cover his own Investment Returns. Yet, it does Not Exceed Either, Separately, and Represents Only a Small Fraction of the Two Combined.*** **See the Expert Report of McGovern Greene.**

9. Respondent's initial capital contribution to Nutmeg was $70,000. Despite that, between at least 2003 and 2009, Respondent withdrew more than $1.2 million from Nutmeg's commingled investment accounts that he used to pay his personal expenses, without regard to whether the money was his to take or belonged to the Funds or the Funds' investors. Those personal expenses included more than $660,000 on Respondent's home equity line of credit, $67,000 for the acquisition of an Acura automobile that was titled in Nutmeg's name but used by Respondent, more than $400 in tickets for Chicago White Sox baseball games, a $10,000 entry fee for the World Series of Poker, and more than $160,000 in payments on Respondent's personal credit cards or on Nutmeg's cards for purchases made on Respondent's behalf. As of 2008, Nutmeg owed the Funds $974,054, but the balances in its two bank accounts were both negative as of March 31, 2008.

ANSWER: Respondent denies the material allegations of this paragraph and affirmatively alleges that:

Respondent never used Nutmeg assets for his own purposes. Nor did he take or use any assets in excess of that to which he was entitled. In more

than 9 years, including the 5 years preceding the lawsuit, and thereafter assisting in the transition to the receivership, the net amounts Respondent received were determined by the court to be only $642,422. That amount is hardly sufficient to cover compensation for his full-time work for Nutmeg, let alone sufficient to cover his investment returns. Yet, it does not exceed either, separately, and represents only a small fraction of the two combined. The approximately $660,000 from Respondent's HELOC was clearly used to fund and coincided with (within 24 hours of each funding) of a certain investment, providing virtually all of each funding for that investment, the return on which exceeded $2,500,000. Indeed, as is evident from the SEC's own exhibits (PX 43) the $642,422 provides no credit for any of Respondent's entitlements, including compensation for his services rendered or returns on his own investments. Indeed, none of that $2,500,000 return was allocated to or distributed to Respondent with the exception of merely repaying the HELOC loan. And yet, the Administrator complains, as did the SEC, of the repayment of this $660,000 used by Nutmeg. The absurdity of this is clearly evident from a closer analysis of the SEC's own computation of PX 43 as well as from the McGovern Greene expert report.

10. Respondent's use of assets belonging to Nutmeg, its Funds, or those Funds' investors, was dishonest, because those assets did not belong to Respondent individually and because Respondent took those assets without notice to, or permission from, Nutmeg's investors.

ANSWER: Respondent denies the material allegations of this paragraph. Respondent affirmatively reasserts the affirmative allegations, including for the reasons as set forth in the above Responses to paragraphs 5 and 9.

D. ***The SEC took Regulatory Action Against Respondent, Nutmeg and Others, Without Adequate Basis, Often Stating False Claims***.

11. On March 23, 2009, the SEC filed suit in the United States District Court for the Northern District of Illinois against Nutmeg, Respondent, and one of Respondent's sons, who was then acting as Nutmeg's Chief Compliance Officer. The SEC suit also named another of Respondent' sons and other family friends as "Relief Defendants" who were alleged to have been involved in various Nutmeg-related activities. The suit was docketed as case number 1:09-cv-01775, *Securities and*

Exchange Commission v. The Nutmeg Group, LLC, et al. The SEC filed an amended complaint on June 14, 2011. Both complaints charged Respondent with having engaged in deceptive, fraudulent or manipulative conduct, with having made untrue statements of material fact, with using instrumentalities of interstate commerce and the mail to defraud Nutmeg's clients, and with aiding and abetting Nutmeg in violations of the Investment Advisers Act of 1940.

ANSWER: Respondent admits that the SEC made such allegations, but affirmatively denies the allegations made by the SEC, including for the reasons as set forth in the above Responses to paragraphs 5 and 9.

12. On October 25, 2019, Magistrate Judge Jeffrey T. Gilbert entered a 61-page document entitled "Findings of Fact and Conclusions of Law" in case number 1:09-cv-01775, in which he concluded that Respondent violated the Investment Advisers Act of 1940 by misappropriating and misrepresenting the value of Nutmeg investors' assets, that Respondent's violations had been material, and that Respondent was reasonably likely to violate the law in the future and therefore should be permanently enjoined from violating the Investment Advisers Act. Magistrate Judge Gilbert also ordered Respondent to disgorge $642,422 of the proceeds of his illegal activities, plus prejudgment interest, plus an additional $642,422 as a civil penalty.

ANSWER: Respondent admits that these determinations were made but affirmatively denies the propriety of the conclusions reached by the trial judge, including for the reasons as set forth in the Responses to paragraphs 5 and 9.

13. On July 7, 2022, the United States Court of Appeals for the Seventh Circuit issued an opinion resolving Respondent's appeal of Magistrate Judge Gilbert's decision. *Securities and Exchange Commission v. Goulding*, number 20-1689. The Court affirmed all of Magistrate Judge Gilbert's findings and conclusions but

remanded the case for Magistrate Judge Gilbert to include more specific language in his injunction. On December 20, 2022, Magistrate Judge Gilbert entered an order in case number 1:09-cv-01775 that enjoined Respondent from "(1) buying, selling or trading securities on behalf of an investment advisor or pooled investment vehicle; (2) managing securities investments for, or providing investment advice to, any person or entity, other than himself and immediate relatives, for compensation; and (3) providing consulting, valuation, compliance or other investment-related services to an investment adviser or pooled investment vehicle."

ANSWER: Respondent admits that that these determinations were made but affirmatively denies the propriety of the conclusions reached by the conclusions reached by the trial judge, and by the appellate court, including for the reasons as set forth in the above Responses to paragraphs 5 and 9.

E. **Respondent did not engage in any Misconduct, let alone Intentional Misconduct.**

14. By reason of the conduct described above, Respondent has engaged in the following misconduct:

a. conduct involving dishonesty, deceit, fraud or misrepresentation, by conduct including making false statements to the SEC and to Nutmeg investors about the value of various Funds, and by dishonestly taking more than $1.2 million in assets belonging to Nutmeg, Nutmeg's Funds, or Nutmeg's investors, and using those assets for Respondent's own purposes, in violation of Rule 8.4(c) of the Illinois Rules of Professional Conduct.

ANSWER: Respondent denies the material allegations of this paragraph, as each such claim is false, including for the reasons as set forth in the above Responses to paragraphs 5 and 9.

WHEREFORE, the Respondent respectfully requests that the underlying facts of this matter be properly assessed and that this initiative be dismissed, no discipline is warranted; there was no impropriety with regard to Respondent's conduct. Instead, the Administrator should initiate an action against the SEC attorneys and the Receiver for their misconduct.

COUNT II

(Conduct Involving an utter absence of any Fraud, Dishonesty, or Misrepresentations whatsoever, on the part of Respondent — Halberd Shares)

15. At all times alleged in this complaint, Respondent was a member of two separate law firms. Both law firms were located in Deerfield. In one law firm, styled as "Law Offices or Randall Goulding," Respondent practiced as a sole practitioner. In the other law firm, styled as "Security Counselors, Inc." ("SCI"), Respondent and his then-partner Carl Duncan, operated a separate practice. In each of the two law firms, Respondent purported to focus his practice on advising his clients with respect to securities law.

ANSWER: the allegations of this paragraph overly simplify Respondent's activities. Otherwise, Respondent admits the material allegations of this paragraph.

16. On or about September 12, 2013, SCI sued Respondent's own client Halberd Corporation ("Halberd") in the Circuit Court of Lake County. The clerk of the court assigned the matter case number 13 L 000068, and it was assigned to the Honorable Christopher Starck. In the suit, Respondent alleged that Halberd had failed to pay his law firm SCI legal fees in the amount of $249,252.

ANSWER: Respondent admits the material allegations of this paragraph.

17. On May 7, 2014, SCI and Halberd entered into a settlement of SCI's claims, which was reflected in an order executed by Judge Starck. The settlement order reflected Respondent's agreement that SCI would accept 393,597,555 shares of Halberd stock in lieu of a cash payment

for the legal fees SCI claimed to be owed from Halberd. As part of the settlement, SCI assigned 381,734,141 of the Halberd settlement shares to Respondent's son, Ryan Goulding, and the remaining 11,863,414 settlement shares to an entity called "Grandview Investment." SCI retained zero Halberd shares after the assignments to Ryan Goulding and Grandview Investment.

ANSWER: Respondent admits the material allegations of this paragraph.

18. At the time of the assignments described in paragraph 17, above, Respondent was a debtor with respect to the Securities and Exchange Commission. The term "debtor" is defined by the Illinois Uniform Fraudulent Transfer Act, Illinois Code Chapter 740, Section 160, *et seq.* ("the Act") as a debtor on a claim. The Act defines a "claim" as a right to payment, whether or not the right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured. Respondent was a debtor as defined by the Act because at the time of the assignments described in paragraph 17, above, Respondent was a defendant in a then-pending civil enforcement action brought by the United States Securities and Exchange Commission, described in Count I, above, which claimed, among other remedies, to be due a monetary judgment against Respondent.

ANSWER: Respondent denies the material allegations of this paragraph.

19. Respondent's law firm SCI and Ryan Goulding were "insiders" with respect to Respondent as that term is defined by the Act, which states that an insider includes a relative of the debtor, or a corporation of which the debtor is a director, officer, or person in control of the corporation. SCI's transfer of its Halberd shares to Respondent's son, without consideration, was fraudulent, because Respondent caused SCI to assign those shares so as to avoid the consequences of any monetary judgment against him in favor of the Securities and Exchange Commission through their

then-pending litigation against Respondent which, Respondent knew, could affect his law firm SCI's ownership of those shares.

ANSWER: Respondent denies the material allegations of this paragraph.

20. As of October 17, 2014, due to its fraudulent transfer of Halberd shares to Ryan Goulding and its additional assignment to Grandview Investments, SCI did not own any Halberd shares or have any documented right to future Halberd shares. On that date, Respondent drafted and executed a document entitled, "Agreement for Assignment." In the agreement, SCI was named as the "assignor," and an entity unrelated to Respondent or SCI called "Evergreen" was named as the "assignee." Despite the fact that SCI possessed no Halberd shares to transfer, the agreement stated that SCI assigned and transferred to Evergreen the right to receive 20,000,000 Halberd shares in exchange for Evergreen's payment to Respondent's law firm SCI of $7,500.

ANSWER: Respondent denies the material allegations of this paragraph, affirmatively alleging the capacity to fulfill his commitments inherent within the terms of such agreement.

21. Three days after the first agreement, on October 20, 2014, Respondent drafted and executed a second document also entitled, "Agreement for Assignment." In the second agreement, like the first, Respondent's law firm SCI was named as the "assignor," and Evergreen was named as the "assignee." Despite the fact that SCI possessed no Halberd shares to transfer, the agreement stated that SCI assigned and transferred to Evergreen the right to receive an additional 20,000,000 Halberd shares in exchange for Evergreen's payment to SCI of $15,000.

ANSWER: Respondent denies the material allegations of this paragraph, affirmatively alleging the capacity to fulfill his commitments inherent within the terms of such agreement.

22. On or about October 20, 2014, Evergreen wired $15,000 to SCI, and shortly thereafter wired the remaining $7,500. On November 7, 2014, Halberd issued Evergreen a share certificate

documenting that 20,000,000 of its shares now belonged to Evergreen. However, even though Evergreen had complied with all terms of the October 17, 2014 and October 20, 2014 Agreements for Assignment, Respondent never caused Evergreen to receive the second 20,000,000 Halberd shares SCI promised in the October 20, 2014 Agreement for Assignment, described in paragraph 17, above.

ANSWER: Respondent denies the material allegations of the first sentence of this paragraph. Respondent admits the material allegations of the second sentence of this paragraph. Respondent admits that Evergreen complied with all terms of the October 17, 2014 and October 20, 2014 Agreements for Assignment. Respondent admits that he never caused Evergreen to receive the second 20,000,000 Halberd shares SCI, affirmatively asserting that only Halberd Corporation, the issuer, could legally issue its shares; neither SCI nor "Respondent [could] cause Evergreen to receive the second 20,000,000 Halberd shares SCI promised in the October 20, 2014 Agreement for Assignment". Respondent affirmatively asserts that he could only assist in that issuance process and then only when it was legally permissible to do so and not once Evergreen had sold those shares and share entitlements. Respondent further affirmatively asserts, consistent with the contract itself, that the issuance of the second tranche of 20,000,000 shares of Halberd Corporation would have (a) violated the terms of the Agreement and (b) would have violated the court order (in the Circuit Court of Lake County, case number 13 L 000068) with regard to the issuance of such shares and (c) would have caused Evergreen to become a "statutory insider" under Section 16(b) of the Securities Exchange Act of 1934, which would not have been in the best interest of Evergreen. Respondent denies the remaining material allegations of this paragraph.

23. In drafting and executing the Agreements for Assignment of Halberd shares, described in paragraphs 18 through 20, above, Respondent engaged in dishonesty, because he knew when he drafted the agreements, executed those agreements on behalf of SCI, and accepted $22,500 of Evergreen's money in exchange for those shares that SCI did not have any Halberd shares to assign, because SCI had already assigned all of its Halberd shares before Respondent entered into the Agreements for Assignment.

ANSWER: Respondent denies the material allegations of this paragraph, affirmatively asserting that SCI and respondent had the capacity to fulfill its obligations under each Agreement and did so.

24. Between 2014 and 2020, based on the 2014 Assignment Agreements Respondent drafted, Evergreen incorrectly believed it owned 40,000,000 Halberd shares, not 20,000,000, and repeatedly asked Respondent to find someone willing to purchase those shares from Evergreen. By October 9, 2020, Respondent informed Evergreen that he had located a buyer, a man with the initials "R.G.," who was interested in purchasing all of Evergreen's purported 40,000,000 shares. Respondent prepared two agreements to consummate the sale of Evergreen's purported 40,000,000 Halberd shares to R.G. The first agreement, which was entitled "Stock Purchase Agreement," was dated October 10, 2020, and provided that R.G. would pay Evergreen $13,500 for 20,000,000 shares. The second agreement, which was also entitled "Stock Purchase Agreement," was dated October 14, 2020, and provided that R.G. would pay Evergreen $13,500 for Evergreen's purported remaining 20,000,000 Halberd shares.

ANSWER: Respondent denies the material allegations of the first sentence of this paragraph. Respondent admits the material allegations of the second sentence of this paragraph, except for the mischaracterization of "purported 40,000,000 shares"; this person's interest was in acquiring 40,000,000 shares of Halberd Corporation common stock which would have occurred, but for Evergreen's breach. Respondent also affirmatively alleges that if all 40,000,000 shares have been issued to Evergreen, that the purchaser would probably not have been interested in entering into either Stock Purchase Agreement with Evergreen, given that that the issuance of the second tranche of 20,000,000 shares of Halberd Corporation to Evergreen would have (a) violated the terms of the Agreement and (b) would have violated the court order (in the Circuit Court of Lake County, case number 13 L 000068) with regard to the issuance of such shares and (c) would have caused Evergreen to become a "statutory insider" under Section 16(b) of the Securities Exchange Act of 1934. Respondent admits the material allegations of the third sentence of this paragraph, except for the mischaracterization of "*purported [emphasis added!]* 40,000,000 Halberd shares". Respondent affirmatively alleges that the second agreement was for an entitlement to 20,000,000 shares of Halberd Corporation, not all of

which could be issued until much later, consistent with the terms of the agreement itself as well as the court order granting the share entitlement.

25. Prior to October 13, 2020, Halberd's stock price was valued at fractions of a penny a share. On October 13, 2020, the share price spiked upwards. By October 23, 2020, Halbert stock price had increased in excess of 1200% of the price that it had been trading at on October 12, 2020. On October 23, 2020, R.G., via Respondent's law firm SCI, wired Evergreen $13,500, which was the required payment set forth first stock purchase agreement dated October 10, 2020, described in paragraph 24, above. Evergreen attempted to repudiate its contract with R.G., and instead sell 20,000,000 of its Halberd shares to another buyer for $540,000, which reflected the new, elevated Halberd share price. Evergreen could not sell the other 20,000,000 Halberd shares it believed it owned because Respondent's law firm SCI never possessed those shares to assign them to Evergreen in the first place.

ANSWER: Respondent admits the material allegations of the first sentence of this paragraph. Respondent admits the material allegations of the second paragraph. Respondent denies the material allegations of the third paragraph, affirmatively alleging that the wire transfer was made on October 16, 2020. Respondent denies the material allegations of the fourth paragraph; Respondent affirmatively alleges that following October 12, 2020, Evergreen could not sell either tranche of the Halberd shares, or any portion thereof, since it already sold the shares that were issued and the share entitlements to Mr. RG. The capacity to comply with contractual obligations to facilitate the issuance of shares is not limited to having title to, or ownership of, those shares. The most salient example illustrative of this basic fact is short sales. Most importantly, however, Respondent had the capacity to assure the issuance of the shares which he sold, at least once it becomes legal for such share issuance to occur, which was accomplished with regard to Halberd Corporation stock, as a result of Respondent's efforts, more than a dozen times and there was never an example of any inability to cause such an issuance of shares.

26. In 2021, R.G. sued Evergreen for breach of contract in the Circuit Court of Cook County, alleging, in part, that Evergreen failed to deliver the Halberd shares according to the terms of the "Stock Purchase Agreements," described in paragraph 24, above. In 2022, Evergreen sued

Respondent and SCI in the Circuit Court of Cook County alleging, in part, that Respondent defrauded Evergreen by entering into the October, 2014 Assignment Agreements, described in paragraphs 18 through 20, above, and by failing to deliver the second 20,000,000 Halberd shares. The Clerk of the Court assigned the first matter case number 2021CH1948, and the second case number 2022CH9958. The cases were later consolidated and assigned to the Honorable Michael Mullen.

ANSWER: Respondent admits the material allegations of the first sentence of this paragraph. Respondent admits the existence of such allegations within the second sentence of this paragraph, but denies the accuracy and the truthfulness of those cited allegations. Respondent admits the material allegations of the third and fourth sentences of this paragraph.

27. On May 19, 2025, after a multi-day bench trial, Judge Mullen entered judgment against Evergreen and in favor of R.G. in the amount of $540,000—which was the price for 20,000,000 shares offered to Evergreen following the Halberd share price spike—and against Respondent and in favor of Evergreen in the amount of $540,000 on Count VI of Evergreen's complaint against Respondent, which alleged that Respondent defrauded Evergreen by entering into the October 2014 Assignment Agreements. In his memorandum order finding that Respondent committed fraud, Judge Mullen stated:

> In Count VI, Evergreen asserts that [Respondent], through SCI, committed fraud. [Respondent] acknowledged that his law firm, SCI, obtained the shares he "sold" to Evergreen as part of a 2014 settlement of SCI's lawsuit against [Halberd] for [Halberd's] failure to pay legal bills. [Respondent] specifically testified that he received 393,597,555 shares as part of a settlement order. [Respondent] further testified that as part of that same settlement order he assigned 100% of those 393,597,555 shares to two assignees — Grandview Capital and his son Ryan Goulding. [Respondent] admitted that after this assignment of [Halberd] shares to Grandview Capital and his son Ryan Goulding, SCI did not own any shares or have any rights to [Halberd] shares. In other words, at the time that [Respondent], through his firm SCI, entered into both the October 17, 2014 "Agreement for Assignment" and the October 20, 2014 "Agreement for Assignment" with Evergreen to sell Evergreen a total of 40,000,000 [Halberd] shares, SCI did not own any shares to convey. The Court concludes that [Respondent's] consistent representations that he and/or SCI owned millions of shares of [Halberd] when he knew that they did not, were material false statements that induced Evergreen to act in the way it did. Further, it was reasonable

> for Evergreen to rely on the statements that had been made by [Respondent], false as they were, as there was no reason for Evergreen to doubt that SCI had 40,000,000 [Halberd] shares to sell.

Judge Mullen entered further found Respondent's conduct to be outrageous, and additionally ordered that Respondent pay Evergreen's legal fees incurred in Evergreen's suit against Respondent.

ANSWER: Respondent denies the material allegations of this paragraph. Respondent affirmatively alleges that while he lacked actual ownership of shares of Halberd Corporation stock, he had the capacity to cause the delivery of such shares and fulfill his contractual obligations and commitments, when it was legally and contractually appropriate to do so and would not violate the 10% rule, consistent with the aforesaid court orders granting the share entitlements (in the Circuit Court of Lake County, case number 13 L 000068). Respondent was able on every single occasion to cause such shares to be issued and delivered, including to Evergreen as purchaser, and has repeatedly, on every single occasion, been able to fulfill such promise and contractual obligation and would have been able to cause the delivery of the second tranche of 20,000,000 shares, when legally permissible to do so. Respondent, in this case, appropriately refrained from cooperating in a fraud, refraining from doing so since Evergreen, by that time, had already sold such shares and share entitlements to RG.

Shares of common stock are a fungible commodity. Investors sell shares every day that they do not own. It is not illegal to sell shares in a public company that the person does not own. When such investors do so, it is called a "short sale". Only when someone engages in such a transaction, lacking capacity and/or lacking the intent to fulfill one's contractual obligations, could that possibly constitute fraud and/or a false statement, when there is also no intent to deliver or "cover". However, those salient circumstances were not present in this case and not even alleged in this case. Instead, every single contract which Respondent executed was fulfilled. That was true, including in the case of Evergreen. Indeed, Evergreen did receive the first 20,000,000 shares, demonstrating the capacity to cause such shares to be issued when legally permissible. The only reason that the second 20,000,000 shares were not delivered to Evergreen, is clearly articulated in both the agreement and the court order granting the share issuance – no one could legitimately hold more than 10% of the outstanding shares of the issuer. Indeed, there was an express limitation prohibiting the issuer, Halberd Corporation, let alone the Respondent from being involved in such a violation, doing exactly what Judge Mullen, and now the Administrator, is saying that Respondent should have done –

> **no transferee was "entitled to shares of the Company's common stock, and the Company [Halberd Corporation] shall not issue any of [such shares], to the extent that, such a share issuance would result in the [share recipient] becoming subject to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, by virtue of being deemed the "beneficial owner" of more than 9.9999% of the then outstanding shares of common stock of the Company including the number of shares of common stock beneficially owned by the [share recipient] and its affiliates."**

When Evergreen entered into a contract to convey the shares that he already sold to RG, Respondent appropriately refused to cooperate in the facilitation of that breach of contract and fraud. Since Halberd Corporation, the issuer, was then and is now a client of Respondent, Respondent, was duty-bound to explain to the CEO, William A. Hartman, that he should not cooperate in the process of enabling the sale to Tribridge Corporation when the shares no longer belonged to Evergreen, Evergreen having already sold such shares to RG. Obviously, as the CEO, Mr. Hartman did not want to be obligated to issue the shares twice and thus breach his duty to the shareholders of Halberd Corporation. In other words, Mr. Hartman and Respondent had similar duties to the Corporation in their respective capacities.

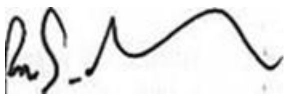
28. By reason of the conduct described above, Respondent has engaged in the following misconduct:

a. conduct involving dishonesty, deceit, fraud or misrepresentation, by conduct including fraudulently transferring Halberd Shares in an effort to avoid a future judgment, and by drafting and executing Assignments of Halberd shares on SCI"s behalf on October 14, 2020 and October 20, 2020, and accepting funds in exchange for those assignments, when he knew that SCI did not possess Halberd shares to assign, in violation of Rule 8.4(c) of the Illinois Rules of Professional Conduct.

ANSWER: Respondent denies the allegations of this paragraph and specifically denies any misconduct and denies any violation of any rules of misconduct, including Rule 8.4(c) of the Illinois Rules of Professional Conduct, reiterating the discussion above, including, without limitation, the response to paragraph 27.

WHEREFORE, the Respondent respectfully requests that the underlying facts of this matter be properly assessed and that this initiative be dismissed as no discipline is warranted; there was no impropriety, at least with regard to Respondent's conduct.

Respectfully submitted,

By: 

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NOTICE OF FILING

To: Scott Renfroe and Richard Gleason
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Chicago, Illinois 60601
Telephone: (312) 565-2600
Email: srenfroe@iardc.org
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PLEASE TAKE NOTICE that on this date, January 13, 2026, I have filed the attached **ANSWER TO THE COMPLAINT,** which is hereby served upon you.

PROOF OF SERVICE

The undersigned attorney, hereby certifies, pursuant to Illinois Code of Civil Procedure, 735-ILCS-5/109, that he served copies of the Notice of Filing and the **ANSWER TO THE COMPLAINT** on Scott Renfroe and the Administrator on the foregoing Notice of Filing via e-mail to srenfroe@iardc.org and ARDCeService@iardc.org on January 13, 2025, at or before 5:00 p.m.

/s/ Randall S. Goulding
prepared by:
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1/13/2026 7:53 PM
ARDC Clerk