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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF WASHINGTON

In re ICAP ENTERPRISES, INC. *et al.* Debtors.	Chapter 11 Lead Case No. 23-01243-WLH11 Jointly Administered
Lance Miller and Seth Freeman as Co-Trustees of the iCap Trust, Plaintiffs, v. Chris Christensen, Jim Christensen, Oceanaire, LLC, Invalus, LLC, and Sunset Terrace WA, LLC, Defendants.	Adv. Pro. No. 25-____-WLH **COMPLAINT** **JURY TRIAL DEMANDED**

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Lance Miller and Seth Freeman (the "**Trustees**" or "**Plaintiffs**"), acting in their capacities as Co-Trustees of the iCap Trust (the "**Trust**") on behalf of the Trust and investors who have assigned their claims against third parties to the Trust, hereby allege the following claims against Chris Christensen, Jim Christensen (together, the "**Christensens**"), Oceanaire, LLC ("**Oceanaire**"), Invalus, LLC ("**Invalus**"), and Sunset Terrace WA, LLC ("**Sunset Terrace**," and collectively with the Christensens, Oceanaire, and Invalus, the "**Defendants**"). Plaintiffs allege the following upon personal knowledge as to themselves and their own acts, and as to all other matters upon information and belief, based upon the investigation made by and through their attorneys and upon their own investigation made by and through their advisors and experts.

PRELIMINARY STATEMENT

1. Beginning as early as 2013 and continuing until July 2023, two brothers, Chris Christensen and Jim Christensen, founded and operated the iCap Entities[1] as a Ponzi scheme, stealing or otherwise squandering approximately $230 million obtained from over 1,800 investors in the United States and abroad (the "**Investors**"). The Christensens used the iCap Entities to induce the Investors, who placed their trust and confidence in them, to

[1] The iCap entities – purportedly operating as a real estate investment business – which were used by the Christensens to conduct their Ponzi scheme include: iCap Enterprises, Inc.; iCap Pacific NW Management, LLC; iCap Vault Management, LLC; iCap Vault, LLC; iCap Vault 1, LLC; Vault Holding 1, LLC; iCap Investments, LLC; iCap Pacific Northwest Opportunity and Income Fund, LLC; iCap Equity, LLC; iCap Pacific Income 4 Fund, LLC; iCap Pacific Income 5 Fund, LLC; iCap Northwest Opportunity Fund, LLC; 725 Broadway, LLC; Senza Kenmore, LLC; iCap Campbell Way, LLC; UW 17th Ave, LLC; VH Willows Townhomes LLC; iCap @ UW, LLC; VH 2nd Street Office, LLC; VH Pioneer Village LLC; iCap Funding LLC; iCap Management LLC; iCap Realty, LLC; Vault Holding, LLC; iCap Pacific Development LLC; iCap Holding LLC; iCap Holding 5 LLC; iCap Holding 6 LLC; Colpitts Sunset, LLC; CS2 Real Estate Development LLC; and iCap International Investments, LLC (collectively referred to herein as the "**iCap Entities**" or the "**Debtors**").

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invest their savings in private offerings of debt and equity securities based on false and misleading assurances about the security, profitability, and liquidity of the investments.

2. The iCap Entities were operated as, and had all the hallmarks of, a Ponzi scheme. Funds received from new Investors in the iCap Entities, and intercompany transfers, were used to make payments to already existing Investors; the iCap Entities' real estate business provided little or no return on investment; and new investments and intercompany transfers were used to compensate and serve as a source of purported loans to Chris Christensen, which amounts were never paid back. The Christensens also stole Investors' money to support their and their families' extravagant lifestyles or to repay personal debts. They converted Investor funds to their personal bank accounts, or to accounts of their personal entities, including Oceanaire, Invalus, and Sunset Terrace, while they used new Investors' money to sustain the Ponzi scheme by paying earlier Investors. The iCap Entities were a fraudulent enterprise.

3. On October 9, 2024, the Debtors, jointly with the Official Committee of Unsecured Creditors, filed the *Second Modified Second Amended Joint Chapter 11 Plan of Liquidation of iCap Enterprises, Inc. and its Affiliated Debtors Proposed by the Debtors and Official Committee of Unsecured Creditors* [Main Case ECF 1360] (the "**Plan**"). On October 18, 2024, this court entered its Order confirming the Plan [Main Case ECF 1414] (the "**Confirmation Order**"). As part of its Confirmation Order, this court found that the Debtors operated as a Ponzi scheme beginning no later than October 2018 through July 2023 (the date range for which evidence was provided in connection with confirmation of the Plan). The scheme, however, commenced well prior to that time.

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4. On behalf of the Trust and the Investors, consistent with the authority vested in them by the Plan, Confirmation Order, and the iCap Trust Agreement, dated November 13, 2024 approved by the Plan (the "**Trust Agreement**,"), by this Complaint, the Trustees seek the recovery of the Investors' losses from the Christensens' fraud and breaches of fiduciary duty that the Christensens perpetrated in furtherance of the iCap Ponzi scheme. The Trustees also seek recovery of the assets: (a) the Christensens converted from the iCap Entities; and (b) the iCap Entities fraudulently transferred to the Christensens or to entities owned or controlled by them.

THE PARTIES

5. The Plaintiffs are Lance Miller and Seth Freeman, solely in their capacities as the Co-Trustees of the Trust which was formed in accordance with the terms of the Plan and Trust Agreement. The Plaintiffs are both citizens of California.

6. Pursuant to the Plan and Trust Agreement, the Trust was established to, among other things, pursue recoveries for the Investors as beneficiaries of the Trust. *See* Confirmation Order, ¶ 107; Plan, Articles V.D and F. In connection with and following confirmation of the Plan, a substantial majority of the Investors have contributed their claims against third parties, such as the Defendants, to the Trust (the "**Contributed Claims**"). Pursuant to the Plan and Trust Agreement, the Trustees have the right to pursue the Contributed Claims on behalf of the assigning Investors. *See* Confirmation Order, ¶ 86; Plan, Articles V.D and F. The Trust also has the right to assert Avoidance Actions, which include all claims that may be brought by or on behalf of the Debtors or the Estates under Bankruptcy Code Sections 542, 544, 547, 548, 549, 550, 551, or 553 or related laws. *See* Confirmation Order, ¶ 38; Plan, Articles V.D. and F.

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7. Defendant Chris Christensen directly or indirectly owned each of the iCap Entities, and with his brother, Jim Christensen, operated a Ponzi scheme through these entities. Chris Christensen is a citizen of Washington, who at all relevant times maintained his principal office in Bellevue.

8. Defendant Jim Christensen was a principal at the iCap Entities and orchestrated the Ponzi scheme with his brother, Chris Christensen. Jim Christensen is a citizen of Washington, who at all relevant times maintained his principal office in Bellevue.

9. Defendant Oceanaire is a Washington State limited liability company. At all relevant times, Chris Christensen owned and controlled Oceanaire.

10. Defendant Invalus is a Washington State limited liability company. At all relevant times, Jim Christensen owned and controlled Invalus.

11. Defendant Sunset Terrace is a Washington State limited liability company. At all relevant times, Jim Christensen owned and controlled Sunset Terrace.

JURISDICTION AND VENUE

12. This action is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(A) and (H). This court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334.

13. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409(a).

FACTUAL BACKGROUND

A. History of the iCap Entities

14. iCap Enterprises, Inc. was formed on August 9, 2007. iCap Equity, LLC, its direct subsidiary, was formed on August 15, 2011. Chris Christensen was the founder and Chief Executive Officer of these entities. Chris Christensen was also the sole shareholder of iCap Enterprises, Inc. He and his wife were the sole members of iCap Investments, LLC.

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Jim Christensen was the Chief Operating Officer of these entities, overseeing iCap's real estate portfolio with authority over project acquisitions, financing, and asset management and disposition. The iCap Entities were all directly or indirectly owned and controlled by Chris Christensen, and he decided which entities to form and the purpose each would serve.

15. Over the course of the next 12 years (from 2011 to 2023), in execution of the Ponzi scheme, various other iCap Entities were formed at the direction of Chris Christensen as specific investment vehicles to accommodate the solicitation of private investments in purported real estate opportunities in the Pacific Northwest. The iCap Entities experienced rapid growth and ultimately employed more than 35 people at their Bellevue, Washington headquarters by early 2023.

16. The iCap Entities were used to invest in two categories of real estate, across two divisions of operations known as the "Portfolio Business" and the "Vault Business." The Portfolio Business was the oldest of the iCap business lines. It operated under iCap Equity, LLC and various subsidiaries. The Portfolio Business purportedly focused on development opportunities for multifamily real estate projects. In some cases, these projects started with raw and undeveloped land, and in other cases the projects began with building permits in place or the improvement of existing structures. The Portfolio Business was funded through private placements of debentures and promissory notes under which Investors were promised interest rates ranging from 6% to 15%. These returns were never realized.

17. The Vault Business was started in 2018, at Chris Christensen's direction, for the ostensible purpose of investing in standalone real estate investments that had the potential to be or already were cash flow positive. The Vault Business operated under iCap

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Vault, LLC and various subsidiaries. The Vault Business financed its operations through private placement notes and public demand notes.

18. The Portfolio Business and Vault Business investments provided little to no return on investment. New investments and intercompany transfers were largely used to pay pre-existing Investors to simulate a return. In addition, new investments and intercompany transfers were used as the source of compensation and purported loans to Chris Christensen, all of which were transferred into his personal accounts and were never paid back.

19. The iCap Entities and their various investment vehicles (the "**Funds**" or "**Investment Entities**") were structured to afford complete discretion to Chris Christensen and the Fund managers with respect to the specific types of real estate in which Investors' funds would be placed, the timing for all such investments, the security afforded to each investment, the decisions regarding when each parcel would be sold, and how each such parcel would be appraised and priced for sale. The Investors trusted the iCap Entities' principals, the Christensens, as fiduciaries with respect to their investments and these decisions.

20. On September 28, 2023, as the Ponzi scheme finally collapsed, Chris Christensen resigned all the positions he held with the iCap Entities. His brother, Jim Christensen, had previously resigned his positions with the iCap Entities.

B. The iCap Entities' Operations Bore All the Hallmarks of a Ponzi Scheme

21. The Christensens ran their Ponzi scheme through the iCap Entities and their employees and used Investor money to personally enrich themselves.

22. The Christensens promised the Investors that their investments would be secure and that they would receive steady returns in exchange for their investments. That

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promise was false. The Christensens made no effort to afford the Investors this promised protection of their invested funds.

23. The Christensens told Investors that the promised returns would be paid from the yield generated by the investments. That promise was also false. Instead, the Investors were paid in large part through new Investors' contributions.

24. The Christensens made repeated false representations to the Investors concerning the Funds and their investments in the Funds including:

- In a May 2016 letter to Investors seeking approval of the extension of the initial maturity date for the iCap Pacific Northwest Opportunity and Income Fund, LLC ("**Fund 1**"), the Christensens represented that the extension was necessary because of "longer than anticipated processing times for issuing construction and development permits" due to "strong demand for new homes and rental units," when, in fact, the extension was needed because Fund 1 was experiencing abysmal financial results;

- In a March 1, 2018 letter to Investors seeking a third extension of Fund 1's maturity date, the Christensens represented that the Fund had achieved "strong" returns as of March 1, 2018 – it had not;

- In a quarterly report for iCap Northwest Opportunity Fund, LLC ("**Fund 2**"), the Christensens represented that, as of March 21, 2018, Fund 2 was performing well and that they felt "confident" in Fund 2's continued performance when, in reality, Fund 2 was not performing well and they had no basis for this representation;

- In a letter dated November 9, 2018, in which the Christensens sought approval of an additional extension of the Fund 2 maturity date to December 31, 2020, they again represented that Fund 2 had achieved "strong returns," when, in fact, it had performed terribly;

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- In a November 21, 2018 investor call, Chris Christensen lied about Fund 2's performance, telling Investors "we've gotten really good returns . . . all those things are going really well;" and
- In the same call, Chris Christensen mispresented that Investors' funds were being deployed into new real estate projects when, in fact, they were being used to pay other Investors.

25. The iCap Entities' business operations had all the hallmarks of a large scale, classic Ponzi scheme.

1. The Vast Majority of the iCap Entities' Deposits Came from Investors and Intercompany Transfers, Not Business Operations

26. The iCap Entities maintained their bank accounts at Umpqua Bank ("**Umpqua**"). The vast majority of funds deposited by the iCap Entities into their Umpqua bank accounts came from Investors, intercompany transfers, and external lenders, rather than being generated through business operations. Umpqua knew this and enabled the Christensens' Ponzi scheme.

27. The Investment Entities in which Investors directly invested were Fund 1; Fund 2; iCap Equity, LLC ("**Fund 3**"); iCap Funding, LLC ("**iCap Funding**"); iCap Investments, LLC ("**iCap Investments**"); and iCap Vault 1, LLC ("**Vault 1**").

28. Approximately 95% of the cash deposited with the Investment Entities was sourced either from Investors or from other iCap Entities.

29. Ponzi schemes are characterized, in part, by obtaining funding from investors' deposits and intercompany transfers, in lieu of generating investment returns from business operations. The fact that the Investment Entities' deposits were mainly comprised of cash

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from Investors and intercompany transfers demonstrates that the iCap Entities were operating as a Ponzi scheme.

2. The Vast Majority of Withdrawals Were to Pay Investors and Make Intercompany Transfers, Not to Fund Investments

30. Withdrawals from the iCap Entities' accounts were not used to fund investments as represented to Investors. Rather, the vast majority of withdrawals were paid out as returns to Investors and intercompany transfers.

31. Specifically, during the period between October 2018 and July 2023, at Chris Christensen's direction, approximately $585 million was withdrawn from the iCap Entities' accounts at Umpqua. Transactions related to returns to Investors and intercompany transfers comprised approximately 75% of the iCap Entities' total withdrawals over this period. Withdrawal transactions related to real estate projects or to business operations comprised only approximately 20% of the total withdrawals.

32. Thus, like the deposits, withdrawals from the iCap Entities' Umpqua accounts were largely comprised of money paid to Investors and intercompany transfers, with only a small percentage of the withdrawn amounts going toward real estate investment activities and business operations. Combined with the deposit activity set forth above, this too shows that the iCap Entities were operating as a Ponzi scheme.

3. The iCap Entities' Real Estate Business Operations Produced Little Earnings

33. Another hallmark of a Ponzi scheme is where the purported business operations of the Ponzi scheme produce little to no profits or earnings. This was true of the iCap Entities.

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34. From September 2013 through December 2020, the iCap Entities invested approximately $103.4 million in properties. Over this seven year investment period, the iCap Entities' $103.4 million in real estate investments generated a paltry net gain of approximately 1.3% from sales and operations.

4. The iCap Entities Were Unable to Generate Sufficient Revenue to Meet Their Obligations to Investors

35. From October 2018 through July 2023, the iCap Entities earned approximately $3.2 million in rental and other revenue from external sources and lost approximately $13.5 million on the sale of properties. During this same period, the iCap Entities paid approximately $236.1 million to Investors. This demonstrates that the iCap Entities' revenue from business operations was insufficient to make the payments to Investors. The iCap Entities' only other sources of funds were third-party loans in the approximate amount of $55.8 million, and, significantly, Investors' money used to pay other Investors – another hallmark of a Ponzi scheme.

36. The iCap Entities' internal communications themselves call into question whether the purported investments were being correctly recorded and/or reported. For example, in an email from Jim Christensen to Neil Peritz ("**Peritz**"), the iCap Entities' Vice President of Finance, dated October 6, 2022, Jim Christensen circulated a spreadsheet for an upcoming "Finance Leadership Meeting" containing information on the iCap Entities' real estate investments. Peritz responded saying that certain numbers were "not even in the ballpark" of what was reflected on the iCap Entities' consolidated balance sheet. Peritz then added, "UW and 725 Broadway numbers make no sense to me. UW hasn't started

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development and 725 Broadway is a parking garage we are demolishing soon to develop so how [do] you get $19.3 [million] in equity on that one?"

37. In addition to internal numbers not matching, certain Investors and their professionals questioned the iCap Entities' investment choices. For example, in an email dated June 26, 2018, Michael Norvet ("**Norvet**") of Evolution Real Estate communicated to the Christensens and others at iCap that: (a) Evolution was not properly informed of a pending real estate transaction; and (b) if it had been, it would not have accepted the sales price to which the Christensens had agreed. Norvet then noted that the estimated loss of $500,000 on the transaction was "completely unacceptable" and that "we reserve the right to take the necessary steps to cancel the sales contracts." Norvet then requested certain documents and a plan to return money to Investors, further stating "this affair has shaken our trust in ICAP."

38. Beginning no later than October 2018, the iCap Entities' real estate business did not generate revenue sufficient to fund payments to Investors. From at least October 2018, internal communications and communications from Investors call into question whether transactions and the business results were being recorded and/or reported reasonably and properly. All of this is emblematic of a Ponzi scheme.

5. Intercompany Transfers and Commingling of Funds

39. In a Ponzi scheme, because there is an absence of profits from purported business operations, investors are paid through an infusion of additional cash from new investors. Because of these transfers from one set of investors to another, investors' funds cannot be traced to specific operations. In order to sustain the scheme, there are typically

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large transfers of funds among businesses or divisions, often unrelated to business operations or investments.

40. The Christensens' Ponzi scheme was no exception. Intercompany transfers made up a large share of the iCap Entities' overall cash activity, and there was a commingling of funds such that the funds were effectively pooled in one common fund, making it impossible to trace specific funds.

41. For example, from October 2018 through July 2023, at Chris Christensen's direction, Fund 1 obtained approximately 91% of its deposits via intercompany transfers, the majority of which were received from Fund 3. The relevant accounting records do not show any business purpose for these transfers.

42. In addition, during the same October 2018 through July 2023 period, approximately 91% of Fund 1's withdrawals were used to pay Investors. All or most of Chris Christensen's transfers from Fund 3 to Fund 1 were used to pay off Fund 1 Investors.

43. Fund 2 was also infused with cash from Fund 3, primarily to pay off Investors. Specifically, during the same period, the majority of the deposits to Fund 2 were from intercompany transfers, with just approximately 31% of deposits from business operations. Fund 2's withdrawals were comprised of approximately 55% in returns to Investors and approximately 32% in intercompany transfers.

44. Further, internal email communications contain repeated requests from Chris Christensen for funds transfers between the iCap Entities and indicate that these transfers were required so that the iCap Entities could return money to the Investors for the Fund receiving the transfer.

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45. This practice is reflected in an email from Chris Christensen to Jim Christensen and Cindy Fang, the iCap Entities' Director of International Relations, dated April 14, 2022. In that email, Chris Christensen indicated that transfers were made between Funds "two times each month" and that "the 15th of the month is the big one for the interest payments." The email then explained that "iCap Equity is covering a big portion of the expenses from funds we have raised" and that $285,000 was being transferred from iCap affiliate Senza Kenmore, LLC, "to Fund 4 to cover Fund 4 investor payoffs." The schedule included in Chris Christensen's April 14, 2022 email indicates that iCap Investments was transferring $885,000 to Fund 3, which was then transferring that money to several other Funds.

46. In another email dated December 22, 2022, Vera Rohlfing, an iCap accounting manager, sent Chris Christensen a proposed list of transfers. This email indicated that for iCap International to make a disbursement to an Investor, money needed to be transferred from other iCap Entities.

47. In that case, the proposed transfer included $500,000 from iCap Investments. iCap Investments, however, first received this same $500,000 from 725 Broadway, LLC ("**725 Broadway**") as an intercompany "loan." 725 Broadway, in turn, received this money from Vault 1 in the form of an intercompany "loan repayment."

48. In an internal email chain dated May 17, 2019, an iCap senior accountant questioned why $200,000 was transferred to Fund 1, to which the Chief Financial Officer, TD Croshaw ("**Croshaw**"), responded "I transferred it to cover the interest payment."

49. The iCap Entities' intercompany funds transfers, coupled with related internal email communications, indicate that, from at least as early as October 2018, the

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Christensens were sustaining the Ponzi scheme through intercompany transfers, and those same intercompany transfers were largely made to repay Investors in the Fund that was the recipient of each transfer.

6. Unrealistic Returns Were Required for the iCap Entities to Make Their Promised Payments to Investors

50. Another characteristic of a Ponzi scheme is the promise of consistent unrealistically high returns to investors. These consistent high returns are key to attracting new investments that help sustain a Ponzi scheme. The promised returns are unrealistic because they are not commensurate with the business operations underlying the investments.

51. The iCap Entities' books and records show that their Funds promised consistent high returns to Investors while failing to generate enough profits to service the promised payments.

52. The entities under iCap's Portfolio Business primarily raised capital through debentures or promissory note offerings that offered to pay Investors between 6% and 15% in annual interest.

53. Specifically, the majority of the private placement memoranda (the "**PPMs**") for the Portfolio Business' various debentures and promissory note offerings promised between 9% and 12% annual interest rates that were payable monthly immediately after the closing of the loan. Certain offerings also included a "payoff premium," a one-time additional payment (*e.g.*, 5% of the Investor's investment) on the date of principal repayment.

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54. The primary investment strategy for the Portfolio Business, including Fund 1, Fund 2, and Fund 3, as stated in the relevant PPMs, was to invest in these Funds to acquire preferred equity in the form of joint ventures with qualified builders and developers, with required payoffs within 12 to 18 months from the time of the original investment. These Funds were invested in by the Investors with the objective of generating the promised 12% rate of return, in addition to an exit fee which ranged from 3% to 5%.

55. Turning these investments quickly, and deploying capital just as quickly, was critical for the iCap Entities' Funds to have any hope of generating sufficient returns to cover Investors' interest and principal payments. However, the iCap Entities' investments never generated sufficient returns to service the indenture interest or ultimate principal, and it was therefore necessary for the iCap Entities to obtain funding for the returns to Investors from other sources.

56. The iCap Entities' investment strategy for its Portfolio Business did not align with the terms of the debt instruments they issued to raise capital from Investors. First, almost all the debentures and promissory notes issued by the Funds offered the option of monthly interest payments to Investors immediately after the closing of the applicable loan. Because the Funds primarily invested in new real estate developments, the representation that the iCap Entities could begin generating near-immediate returns on such real estate was unrealistic and misleading.

57. The PPMs relating to the iCap Entities' debt offerings provide that some of the capital might be deposited into interest reserve accounts, or that the Funds "will maintain cash reserves to meet interest payments . . .." However, there is no indication that any such cash and interest reserves were ever established, and even if they were, establishing such

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reserves would have decreased the net capital available for the iCap Entities to invest in real estate projects, thereby requiring the remaining Funds soliciting investments to generate even higher returns to pay off the investments.

58. The iCap Entities' internal projections from as early as January 2017 shed light on the company's cash flow concerns. For example, in an email to Chris Christensen dated January 24, 2017, Croshaw provided a management budget to Chris Christensen, and stated "we are going to be in a significant deficit at the end of February and the first of March . . . January was a bad month for us." Later that year, Croshaw provided another management budget to Chris Christensen in an email dated November 10, 2017. In that email, Croshaw stated "as you can see we are significantly in the Red for [November and December 2017]." Croshaw went on to state that iCap would "need to come up with" $320,000 to make its November and December 2017 payroll obligations.

59. While aware of these grave cash flow concerns, Chris Christensen failed to acknowledge or disclose these concerns publicly. For example, in a call with Fund 2 Investors in November 2018, in response to a question about the sources of funds on which the iCap Entities relied to pay the Investors, Chris Christensen represented that interest payments were carved out of payoffs from real estate projects and that such payments were not serviced using funds received from other Investors. Those representations by Chris Christensen were known by him to be false and misleading when made.

60. From October 2018 through September 2023, Fund 2 paid out a sum of approximately $20.2 million to its Investors. However, during the same period, Fund 2 generated only approximately $10.4 million in funds from business operations, including rent and project payoff, which, even before accounting for approximately $1.7 million in

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general, operating, and administrative expenses during the same period, is approximately half of what was paid out to Investors. Fund 2 also received approximately $22.9 million in intercompany transfers and transferred approximately $11.8 million to other entities.

61. The Investment Entities' investments in real estate development projects did not generate the promised ongoing returns immediately upon closing. Moreover, they did not generate the very high annual returns that were required to service the promised interest payments, as well as to make the promised final principal payments. For example, Fund 1 raised capital in December 2013 through a private placement of senior debentures that matured in December 2016. The terms of the offering stated that Investors were entitled to 12% annual simple interest paid monthly. As part of the offering, Fund 1 indicated that it expected to incur 13% in commissions and administrative fees related to the offering, which brought down the overall proceeds from Investors that would be available for investment to about 87% of the total proceeds.

62. Fund 1 also owed a 2% management fee annually and an origination fee of up to 3% on every investment made. Assuming a 36-month term, Fund 1 would have needed a 17.6% annual return on its overall investments to service the interest payments and pay the principal at maturity, as promised to Investors.

63. Fund 1 did not generate nearly as much as the 17.6% in annual returns it needed to pay its Investors. In fact, it made a net gain of only $1.3 million on the total $44.1 million that the Fund invested in various real estate projects from March 2014 (the date of its first investment) to January 2022 (the date of its most recent exit from the properties), or an average return of 0.4% per year.

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64. Similarly, Fund 2 raised capital through a private placement of senior secured debentures at a 10% annual interest rate, paid monthly. Under the terms of this offering, Fund 2 would have needed to generate 16.4% in annual returns to pay its Investors as promised.

65. The reality was that Fund 2 invested $40.4 million in real estate projects from May 2015 through December 2018 and generated a total return of $2.7 million upon exiting these properties from October 2015 to July 2022, for an average return of 0.9% per year.

66. In total, the iCap Entities invested approximately $103 million in real estate projects from 2013 to 2022 across its Portfolio Business and received approximately $104.4 million in total upon exiting the projects, an astonishingly low net return of only $1.4 million over a nine-year period. This extremely low return demonstrates that the iCap Entities would not have been able to pay off the Investors from the *de minimis* appreciation in the real estate investments and chose instead to use funds raised from other Investors to make such payments.

67. The iCap Entities' internal communications indicate it was unrealistic to expect the promised returns to Investors would be made. For example, in a May 26, 2020 email to Jim Christensen and other iCap executives regarding his analysis of a potential Fund 6, Andy Willett ("**Willett**"), iCap Director of Capital Markets, concluded that to meet the repayment demand of raising between $310 million and $470 million, iCap would need to invest in between 959 projects and 1,056 projects. Willett concluded that "the numbers look daunting to me" and that iCap would have to have most or all the Fund 1 and Fund 2 Investors roll over to Fund 6, while agreeing to not receive a monthly interest payment. The numbers were indeed daunting because the iCap Entities were not able to pay off Investors

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from the miniscule appreciation of the real estate investments. This too demonstrates that the iCap Entities were operated as a Ponzi scheme.

7. Other Hallmarks of the iCap Entities' Ponzi Scheme

a. The Christensens Failed to Invest Investors' Funds in Promised Investments

68. In a Ponzi scheme, the organizer often fails to place the investors' funds in the promised investments. This is particularly true for investments from later investors, whose funds are either transferred to earlier investors or are used to cover costs of the purported underlying business operations. This proved true for the iCap Entities' later funds.

69. The applicable PPM for Pacific Income Fund, LLC ("**Fund 4**"), which was launched in or around October 2018, and the sources and uses analysis of Fund 4's funding, reveal that the capital invested in Fund 4 was not invested in accordance with the PPM's representations.

70. For example, Fund 4 sought to raise $50 million in capital through an offering of secured promissory notes in October 2018. The promissory notes had a maturity of 20 years but allowed the Investors to redeem their investments in full after 3 years.

71. The PPM for Fund 4 stated that "the primary purpose of the Company is to acquire real estate investments in the United States and provide a rate of return to its investors." The PPM also made representations about the potential use of the funds. In particular, the PPM stated that the "proceeds . . . will be used to pay expenses related to its formation and operations and for this Offering, and to purchase and manage preferred equity real estate positions through Portfolio SPEs. The proceeds will be used to cover costs associated with this process . . ."

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72. The Fund 4 PPM also made provisions for organizational expenses approximating $250,000 as well as additional expenses of approximately $200,000 in addition to commission charges for placement agents.

73. The representations in the Fund 4 PPM were false. A comparison of Fund 4 PPM's representations with the actual allocations of funds reveals that the Christensens did not allocate the funds received from Investors in accordance with the PPM.

74. Thus, a total of $23.9 million was deposited in Fund 4's account between October 2018 and September 2023. Of these deposits, $12.4 million were funds from Investors, and $11.4 million were intercompany transfers, with almost no funds from other sources. Fund 4 then disbursed $4.9 million to Investors and transferred $9.5 million to other iCap Entities, while only using $2.2 million for real estate acquisition, development, and investment.

75. This means that only 9.7% of Fund 4's withdrawals were used for investments in real estate projects even though raising capital for new real estate investments was purportedly the primary objective of Fund 4. Furthermore, while the PPM for Fund 4 makes provisions for expenses and commissions, it allocated more money to expenses and commissions than to investments in real estate projects.

b. Later Investors Received Lower Returns Than Those Received by Earlier Investors

76. In a Ponzi scheme, companies typically are incapable of generating adequate revenue to fulfill the promised returns to their investors. Consequently, they resort to using funds from later investors to pay off earlier investors. Thus, one of the characteristics of a

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Ponzi scheme is that later investors receive lower returns compared to their earlier counterparts.

77. This is exactly what happened to Investors in the Funds, as only Investors who invested in Fund 1 received distributions in excess of their investments on average, while subsequent Investors in the Funds on average received less than they invested. For example, Fund 1, on average, managed to achieve 12% distributions in excess of investments, while Fund 2, Fund 3, and Fund 4, iCap Pacific Funding, LLC ("**Fund 5**"), Vault 1, iCap Investments, and iCap Funding all returned less than the original investments. The amounts returned for Funds 2 through 5, Vault 1, iCap Investments, and iCap Funding ranged from approximately 8% to 81% less than the original investment amount.

78. In sum, the Christensens operated the iCap Entities as a Ponzi scheme.

C. As the Ponzi Scheme Collapses, the iCap Entities Seek Bankruptcy Protection

79. On September 29, 2023 (the "**Petition Date**"), the iCap Entities filed chapter 11 cases in this court. On October 9, 2024, the Debtors, jointly with the Official Committee of Unsecured Creditors, filed the Plan. On October 18, 2024, the court entered the Confirmation Order.

80. As part of the Confirmation Order, the court found that the iCap Entities operated as a Ponzi scheme beginning no later than October 2018 through July 2023 (the date range for which evidence was provided of the Ponzi scheme operation in connection with confirmation of the Plan). *See* Confirmation Order ¶¶ 17, 74, 77.

81. Specifically, the court entered the following findings (the "**Ponzi Findings**") as part of the Confirmation Order based upon the evidence submitted in connection with Plan confirmation:

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a. beginning no later than October 2018 (the "**Ponzi Start Date**") through the conclusion of the prepetition time period analyzed by the CRO and his advisors (which, for the avoidance of doubt, ended prior to the retention of new counsel and financial advisors by the Debtors in July 2023), the principals operated the iCap enterprise as a Ponzi scheme raising approximately $230 million from over 1,800 investors in the United States and abroad;

b. the Ponzi scheme involved the use of funds provided by new investors to the iCap enterprise to make payments to already existing investors and other creditors; and

c. the iCap enterprise did not operate as a legitimate profit-making business. *See In re EPD Inv. Co.,* 114 F.4th 1148, 1162-63 (9th Cir. 2024).

See Confirmation Order ¶ 75 at 38.[2]

D. The Christensens Converted Investors' Funds for Their Personal Benefit

82. The Christensens also converted substantial portions of Investors' funds for their personal benefit, in violation of the trust the Investors had in the Christensens to manage and protect the Investors' money with care, diligence, and honesty.

83. As discussed above, the Investors trusted the Christensens to invest their funds in income-producing real estate and to manage the investments for the benefit of the Investors, in accordance with each of the Funds' stated investment objectives. The Investors retained ownership interests in their invested funds, including the monthly interest payments, principal contributions, and any proceeds derived from those funds.

84. The Christensens, without the Investors' knowledge or authorization, wrongfully exercised dominion and control over the Investors' deposits by converting the Investors' funds for their own personal benefit, and to the detriment of the Investors.

[2] The court's Ponzi Findings noted that they were not binding at that time upon the Christensens.

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1. Chris Christensen's Conversion of Investor Funds

85. Between the years 2013 and 2023, Chris Christensen, intentionally and without authorization, improperly transferred Investors' funds, in the total aggregate amount of not less than $30,469,282, to: (a) his personal bank accounts; (b) accounts belonging to companies or entities he owned and controlled; (c) accounts used to fund his personal lifestyle expenses, including vacation homes; or (d) repay his personal debt obligations.

86. Chris Christensen's improper transfers of Investors' deposits from the iCap Entities to his personal accounts and accounts of entities he owned and controlled for his own benefit were falsely documented as "loans," "reimbursements," or "distributions." None of the purported "loans" were ever repaid and, despite being recorded as "reimbursements" or "distributions," none of the funds that Chris Christensen diverted were actually used for their stated purposes. Between the years 2013 and 2023, Chris Christensen transferred Investors' funds from the iCap Entities to himself, or to entities he owned and controlled, for his personal benefit in the total aggregate amount of at least $27,954,742 (not including amounts to Oceanaire detailed below). Below is a table setting forth the amount of the iCap Entities' funds Chris Christensen improperly converted to himself or to entities he owned or controlled:

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Chris Christensen Transfers (2013 through 2023)

Year	$ Amount
2013	**$146,260**
2014	**$1,001,788**
2015	**$2,029,738**
2016	**$1,741,300**
2017	**$935,393**
2018	**$26,107**
2019	**$1,189,748**
2020	**$2,420,365**
2021	**$891,551**
2022	**$16,402,416**[3]
2023	**$1,170,076**
Chris Christensen Total Transfers	**$27,954,742**

87. One of the recipients of Chris Christensen's fraudulent transfers and conversion of iCap Entities' funds was Oceanaire, the entity he formed for the purpose of acquiring his vacation home with Investor funds. For instance, on January 26, 2016, Chris Christensen transferred $450,000 from investment fund iCap Pacific NW Management to Oceanaire and then wired $469,122.96 to First American Title Company for the purchase of his vacation property, noting the borrower as "Oceanaire LLC." Between the years 2013 and 2023, Chris Christensen transferred funds from the iCap Entities to Oceanaire in the total aggregate amount of $2,514,540. Below is a table setting forth each transfer of funds from the iCap Entities to Oceanaire during this ten year timeframe:

[3] The transfers in 2022 include approximately $15 million paid to an entity Chris Christensen owned and/or controlled outside the ordinary iCap fund structure, iCap International Investments, LLC. An additional $500,000 was paid to this entity in 2023.

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Oceanaire Transfers (2013 through 2023)

Year	$ Amount
2013	**$54,927**
2014	**$137,134**
2015	**$13,760**
2016	**$451,141**
2017	**$78,024**
2018	**$1,034,576**
2019	**$68,713**
2020	**$110,126**
2021	**$419,139**
2022	**$96,000**
2023	**$51,000**
Oceanaire Total Transfers	**$2,514,540**

88. Chris Christensen's actions, in which he converted Investors' funds between 2013 and 2023 in the total aggregate amount of $30,469,282, were intentional, wrongful, and without lawful justification, authorization, or excuse. Chris Christensen's transfers and improper uses of Investors' funds from the iCap Entities were not authorized, disclosed, or permitted, and were undertaken solely for Chris Christensen's own improper purposes. By causing these unauthorized transfers of Investors' funds, Chris Christensen intentionally, willfully, and without lawful justification deprived the Investors of their property and rights of possession of those funds and any value or proceeds derived therefrom, in violation of Chris Christensen's fiduciary duties owed to the Investors. Chris Christensen's conduct constituted conversion.

2. Jim Christensen's Conversion of Investor Funds

89. Jim Christensen also improperly transferred Investors' funds from the iCap Entities to himself or to entities he owned or controlled for his personal benefit. In 2021 and 2023, Jim Christensen improperly transferred Investors' funds from the iCap Entities, in the

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total aggregate amount of not less than $267,965, to: (a) his personal bank accounts; (b) accounts belonging to companies or entities he owned and controlled; and (c) accounts used to fund his personal lifestyle expenses.

90. Jim Christensen's actions, in which he converted Investors' funds in the total aggregate amount of $267,965, were intentional, wrongful, and without lawful justification, authorization, or excuse. Jim Christensen's transfers and uses of the Investors' funds from the iCap Entities to himself or to entities for his personal benefit, and to the detriment of Investors, were not authorized, disclosed, or permitted, and were undertaken solely for Jim Christensen's own improper purposes. By causing these unauthorized transfers of Investors' funds, Jim Christensen intentionally, willfully, and without lawful justification deprived the Investors of their property and rights of possession of those funds and any value or proceeds derived therefrom, in violation of Jim Christensen's fiduciary duties owed to the Investors. Jim Christensen's conduct constituted conversion.

91. In summary, between the years 2013 and 2023, the Christensens converted a total amount of $30,737,247 from the iCap Entities for their own improper purposes, and to the detriment of the Investors.

Transfers (2013 through 2023)

Name	$ Amount
Chris Christensen	**27,954,742**
Oceanaire	**2,514,540**
Jim Christensen	**267,965**
Total Transfers	**$30,737,247**

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E. In Breach of Their Fiduciary Duties, the Christensens also Converted Funds in Connection with the Sunset Property

92. For years, the Christensens represented to the Investors that property (the "**Sunset Property**") owned by iCap Entity, Colpitts Sunset, LLC ("**Colpitts Sunset**") was a valuable asset in the iCap portfolio, one that would yield significant returns for the Investors after it was fully developed and sold. Yet just weeks before the Petition Date, the Christensens breached their fiduciary duties to the Investors and engaged in other wrongful conduct (including conversion) by causing Colpitts Sunset to prematurely sell the Sunset Property in a series of transactions that enriched the Christensens at the Investors' expense.

93. Specifically, Vault Holding, LLC ("**Vault**") (an iCap Entity), had loaned Colpitts Sunset $12 million evidenced by promissory notes and secured by deeds of trust. Because Vault had a lien on the Sunset Property, Colpitts Sunset needed to satisfy its obligations under those notes as a condition to delivering clear title at closing of a sale transaction in 2023, but it lacked the financial resources to do so. The Christensens' solution was to simply mark the notes "paid in full" and cause Vault to "reconvey" the deeds of trust to Colpitts Sunset – even though Vault received nothing (except for a payment of $30,000 made *after* the notes were supposedly "paid in full") on account of its $12 million loan.

94. But for the Christensens' false and fraudulent statements pertaining to the notes, Colpitts Sunset would have been unable to deliver clear title to the Sunset Property because it was insolvent, and the contemplated sale was never going to yield proceeds sufficient to pay off the notes.

95. Ultimately, Jim Christensen (through related entities solely within his control, Defendants Invalus and Sunset Terrace) obtained a 10% equity interest in the Sunset

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Property by using his position of control to establish a $3 million short term loan (the "**Short Term Loan**"). Most of the proceeds of the Short Term Loan were used to fund Invalus/Sunset Terrace's equity investment, while Colpitts Sunset repaid the Short Term Loan from the proceeds of the sale of the Sunset Property.

96. Moreover, the Sunset Property – acquired with the Investors' money – was sold prematurely and below market, and, as a further insult, the Christensens caused Marcus & Millichap Capital Corporation ("**MMCC**"), an advisor engaged by Invalus that acted to further the Christensens' interests, to receive its fee from Colpitts Sunset out of the sales proceeds, rather than from Invalus.

1. The Sunset Property and Its Value

97. In late 2021, O'Connor Consulting Group, LLC ("**O'Connor Consulting**") was engaged to provide an appraisal and opinion of value with respect to the Sunset Property. iCap informed O'Connor Consulting, among other things, that: (a) site clearing and preparation began on July 16, 2020; (b) the actual groundbreaking occurred on September 2, 2020; (c) construction was projected to be completed by July 31, 2022; and (d) occupancy was expected to be fully stabilized by April 1, 2023.

98. On November 24, 2021, O'Connor Consulting provided opinions of value for the Sunset Property in the amounts of: (a) $52,885,000 upon completion of construction; and (b) $55,035,000 upon achieving stabilized occupancy.

99. On February 1, 2023, Cushman & Wakefield ("**C&W**") provided a new appraisal of the Sunset Property. Based on later-projected dates for the completion of construction (it was 92% complete as of the appraisal date) and occupancy stabilization, C&W concluded that the value of the Sunset Property was: (a) $43,905,000 on an "as is"

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basis as of February 1, 2023; (b) $48,075,000 as of April 1, 2023, the revised projected date for the completion of construction; and (c) $50,260,000 as of December 31, 2023, the revised projected date for occupancy stabilization.

100. The independent valuations confirm that the Sunset Property's fair market value was projected to exceed $50 million by year-end. The Christensens, however, failed to meet the construction completion deadlines for the Sunset Property, and Colpitts Sunset itself lacked sufficient capital to complete construction. The Christensens were desperate and prematurely sold the Sunset Property at well below market value, thereby causing substantial damage to the Investors – while the Christensens took and kept a 10% stake in the Sunset Property for themselves

2. The Fraud Concerning the Vault Notes and the Vault Deeds of Trust

101. At all times prior to the Petition Date, the Christensens touted Colpitts Sunset to Investors, representing that the Sunset Property was among the iCap Entities' family of assets being developed for the Investors' benefit.

102. To finance the construction of the Sunset Property, Colpitts Sunset obtained a secured loan (the "**Senior Loan**") in the principal amount of $35.25 million from UC Funds, LLC. The Christensens also used Vault for additional funding and to further their Ponzi scheme. On April 15, 2021, Vault made a loan to Colpitts Sunset in the original principal amount of $3.5 million as evidenced by a certain *Promissory Note* (the "**Original Note**"). The Original Note was secured by a *Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing* recorded on May 11, 2021, on the Sunset Property. The Original Note's principal amount was increased to $12 million pursuant to three amendments that were entered into between late August 2022 and mid-December 2022

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(together, the "**Notes**"). The Original Note and all three amendments were secured by deeds of trust (the "**Deeds of Trust**") in favor of Vault. Jim Christensen signed a subsequently amended note and deed of trust on December 14, 2022 on Colpitts Sunset's behalf and Chris Christensen signed each of those instruments on Vault's behalf.

103. The Christensens caused most of the proceeds of the Vault loans to be transferred by Colpitts Sunset to other iCap Entities in furtherance of their Ponzi scheme.

104. Other than a $30,000 payment made in June 2023, Colpitts Sunset never repaid any principal or interest due to Vault under the Notes.

105. Nevertheless, in February 2023, to clear title in anticipation of Colpitts Sunset's sale of the Sunset Property, and in breach of their fiduciary duties to the Investors, the Christensens falsely and fraudulently caused the Notes to be marked "paid in full" and to have the Deeds of Trust "reconveyed" to Colpitts Sunset for no consideration. In other words, the Christensens effectively "tore up" the Notes and Deeds of Trust, leaving Vault – and the Investors – holding the (empty) bag.

106. On March 21, 2023, just weeks after falsely and fraudulently causing the Notes to be marked "paid in full" and the Deeds of Trust to be "reconveyed" to Colpitts Sunset, Chris Christensen, acting on Colpitts Sunset's behalf, effectively ratified the validity of those instruments by giving "notice" to Vault that it was extending the maturity date of the loan (evidenced by the Third Amended Note) from April 1, 2023 to October 1, 2023. The Christensens ratified the validity of the instruments again on June 6, 2023 when they caused Colpitts Sunset to make a "partial Vault loan payoff" of $30,000.

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3. The Sale of the Sunset Property

107. Short on cash and long on obligations, the Christensens decided to sell the Sunset Property before it was fully developed and occupied, but to do so for their benefit and at the Investors' expense.

108. In breach of their fiduciary duties and in acts of conversion and fraud, the Christensens engineered a sale whereby (a) their fraudulent conduct concerning the Vault Notes was "swept under the rug" thus enabling the sale of the Sunset Property to close, (b) Colpitts Sunset (and therefore the Investors) received *none* of the net sale proceeds, but (c) the Christensens took a 10% stake in the Sunset Property (through Sunset Terrace WA, LLC ("**Sunset Terrace**"), a limited liability affiliate of Invalus owned and controlled by Jim Christensen), using Colpitts Sunset's limited resources to acquire the Sunset Property at a below-market price.

109. On March 31, 2023, Colpitts Sunset entered into a *Commercial & Investment Real Estate Purchase & Sale Agreement* (the "**PSA**") pursuant to which it agreed to sell the Sunset Property for $44 million to Olympia Hotel Group, LLC ("**Olympia**"), Capital J Holdings, LLC ("**Capital J**") and Sunset Terrace. Ultimately, Sunset Living, LLC ("**Sunset Living**") replaced Capital J as a third party buyer under the PSA and purchased the Sunset Property along with Olympia and Sunset Terrace.

110. Jim Christensen signed the PSA on Sunset Terrace's behalf even though Sunset Terrance was not formed as a Washington limited liability company until July 6, 2023. Chris Christensen signed the PSA on Colpitts Sunset's behalf. The sale of the Sunset Property was another step in the Christensens' efforts to enrich themselves at the expense of iCap's Investors.

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111. On February 6, 2023, just days before the Vault Notes were fraudulently marked "paid in full," Jim Christensen informed Tammy Linden with MMCC via email that iCap "need[ed] to get some equity to replace what we have in the project," thereby confirming that Colpitts Sunset lacked the funds to satisfy its $12 million obligation to Vault. In a subsequent email dated March 30, 2023, Linden warned Jim Christensen that the title company, First American Title Company ("**First American**"), would likely require proof that Colpitts Sunset had satisfied its obligations under the Vault Notes in order to clear title.

112. But as the Christensens knew, the projected sales price was never going to yield sufficient proceeds to pay off the Vault Notes. So, in breach of their fiduciary duties, the Christensens persuaded First American to accept the false and fraudulent "reconveyances" as proof of payment. The consequences for Vault and the Investors were devastating. The Christensens' deceptive conduct ensured that Colpitts Sunset would never pay back the $12 million it owed to Vault (and the $12 million would therefore never be available to Investors). Moreover, the Christensens' sale of the Sunset Property netted Colpitts Sunset and the Investors exactly nothing. As a result, the Investors lost the $12 million principal balance plus interest owed to Vault on the Notes.

4. The Short Term Loan

113. In the months leading to the closing, Colpitts Sunset was unable to pay its debts as they became due as evidenced by its payment default under the Senior Loan and its inability to finance the completion of construction of the Sunset Property. Rather than seeing a dilemma, the Christensens saw an opportunity to be exploited.

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114. Manmohan Dhillon, Sarbjit Dhillon, Sukhvir Singh Josan, and Jaswinder Kaur Joan (together, the "**Short Term Lenders**"), the principals of the contemplated third party purchasers of the Sunset Property, agreed to make the Short Term Loan, described above, ostensibly for the purpose of curing the payment default on the Senior Loan, funding interest and fees due on the Senior Loan through closing, and providing working capital.

115. But, as the Christensens knew, most of the proceeds of the Short Term Loan were not used for its stated purpose but instead were used to fund the Christensens' $2 million "investment" to acquire (through Sunset Terrace) a 10% interest in the Sunset Property. Specifically, although Invalus was not a party to the Short Term Loan, on or about June 6, 2023, the Christensens caused $1,606,666.10 of the proceeds of the Short Term Loan (the "**Short Term Loan Transfer**") to be transferred directly to Invalus.

116. In furtherance of his scheme to enrich themselves at the Investors' expense and in further breach of their fiduciary duties, the Christensens not only used a substantial portion of the Short Term Loan Transfer to acquire an interest in the Sunset Property but then caused the Short Term Loan to be repaid from the sale proceeds.

117. With the Vault Notes buried and Colpitts Sunset exploited as the vehicle for the Christensens' acquisition of a 10% stake, the Sunset Property was sold to the Olympia, Sunset Living and Sunset Terrace on July 26, 2023, at a below-market value with Colpitts Sunset and the Investors netting exactly nothing.

118. The purported sales price of $44 million was millions of dollars below market value for two reasons. First, $3 million of the sale proceeds was used to repay the Short Term Loan. But since the bulk of the proceeds of the Short Term Loan was used for the Christensens' benefit, Colpitts Sunset should never have taken or repaid the Short Term

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Loan and, consequently, the "real" purchase price was actually $41 million. Second, based on the opinions of value provided by O'Connor Consulting and C&W, the fair market value of the Sunset Property exceeded $48 million.

119. To add insult to (the considerable) injury, at the closing, the Christensens caused MMCC to be paid its $180,000 consulting fee (the "**Consulting Fee**") from the sale proceeds even though it was never engaged by Colpitts Sunset to provide any services in connection with the sale of the Sunset Property.

F. Through Their Ponzi Scheme and Fraudulent Conduct, the Christensens Breached Their Fiduciary Duties to the Investors

120. Through their lies to Investors and perpetration of the iCap Entities' Ponzi scheme, and other fraudulent conduct during a period of nearly seven years, the Christensens breached their fiduciary duties to Investors.

121. At all relevant times, the Christensens dominated and controlled the iCap Entities. The Christensens exercised sole and exclusive discretion over all investment decisions, the business affairs and operations of the iCap Entities, and the preparation and dissemination of financial information to the Investors. The Christensens led the Investors to reasonably believe that the Christensens were managing the Funds with honesty, integrity, and for the Investors' benefit.

122. To solicit the Investors, the Christensens touted their supposed good judgment and expertise, mastery, and successful track record in real estate investing, luring the Investors with the promise of high returns on low-risk investments, secured by income-producing real estate projects. In the Funds' solicitation materials that were sent to Investors, and in the Christensens' communications with Investors, the Christensens

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represented that they were experienced investment professionals with unique expertise and access to opportunities, and that they would manage the Funds with the upmost integrity, transparency, and prudence.

123. Specifically, the offering materials for the various Funds represented that Investors must "rely upon the judgment and experience" and "sole discretion" of the "Manager" and its "Affiliates," controlled by Chris Christensen. The "Key Executives" of the Manager included Chris Christensen and Jim Christensen. Both Christensens represented that they had extensive experience in real estate transactions, investments, and asset protection, and that they had managed "over $30 million in development projects and also consulted property owners on the strategy, finance, and execution of the development of their properties."

124. The Christensens also led the Investors to reasonably believe that they had accepted responsibility for safeguarding the Investors' capital, and were, at all relevant times, acting in the Investors' best interests and disclosing all material information concerning the Funds' performance.

125. For instance, between the years 2014 and 2022, the Christensens regularly communicated with the Investors about the iCap Entities and each of its Funds by, among other things: (a) continuing to send to Investors solicitation and informational materials concerning each Fund's stated objectives; and (b) regularly speaking with Investors during quarterly calls. In these communications, the Christensens routinely solicited and encouraged Investors to continue their current investments with iCap, to make new investments with iCap, or to roll over their current investments to affiliated Funds at iCap,

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while assuring the Investors the Christensens were looking out for the Investors' best interests and committed to honesty, communication, and transparency. For instance,

- During a November 13, 2020 investor call, to induce Investors to rollover their investments in Fund 1 into Fund 3, Chris Christensen touted Fund 3 as a "really interesting vehicle" and a "good opportunity" that "we wanted to offer to our investors," telling Investors that rolling their Fund 1 investments into Fund 3 would "allow our management team to have more streams of income to take care of our investors."

- During a February 2, 2021 investor call, while giving an update on Fund 2, Chris Christensen assured Investors that "our goal has always been to make sure we can take care of all of our investors."

- During a February 16, 2022 investor call, Chris Christensen informed Investors during purported updates on the iCap Entities that the Vault Business is a "unique investment," "we've performed on everything so far and we'll continue to do so in the future," "we've been doing a good job taking care of [Investors]," "we're working hard" and "we appreciate your trust."

- During a February 17, 2023 investor call, Chris Christensen told the Investors' advisors "we want to just make sure that going forward, we're committed to good communication, that we have the information you need to help meet with your clients. We want to work together on it. We want to make sure that the investors can get the best situation out of this that they can, and that's really going to depend on how we all communicate and work together." He told them, "we have a really solid team that's very committed to getting the absolute optimal outcome for our investors. So you can rest assured that that's the case, that we're giving everything that can possibly be done, and we're just going to need to work together through this. Again, unlike others, we're not trying to cut anything out and we're just being very transparent as far as where everything goes and what we're dealing with at the moment."

- During a March 2, 2023 investor call, Chris Christensen explained to Investors why their repayments would be delayed, and told Investors that with respect to management fees, "we chose to not charge that," and "that's kind of a big deal because we've left millions of dollars in the funds to make sure that our investors were taken care of," assuring

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> Investors "that we're doing absolutely everything humanly possible here," and that the way to move forward is "really good communication," and that "I chose to have this call … in an effort to assure you that we're being transparent and sharing with you what we know. And I hope you can feel that."

126. The Christensens' representations that they were experienced and trustworthy investment professionals caused the Investors to feel safe and secure in their decision to invest with the iCap Entities, extend maturity dates, or rollover into new investments for multiple years, and as a result of these representations, the Investors relaxed their care and vigilance accordingly.

127. As passive investors without access to the Funds' books, records, or underlying investments, and because of the Christensens' promises and assurances to take care of the Investors with transparency, honesty, and open communication, the Investors justifiably relied on the Christensens to take care of their financial interests.

128. Due to their controlling positions, actions, and representations to the Investors, and the Investors' relationship of trust and confidence in the Christensens, which the Christensens knowingly accepted, the Christensens owed the Investors fiduciary duties, including, but not limited to, the duties of loyalty, care, integrity, candor, full disclosure, and to deal honestly and in good faith.

129. These duties required the Christensens to act at all times in the best interests of the Investors, to avoid self-dealing and conflicts of interest, and to provide truthful and complete information and disclosure concerning the Funds' operations and performance.

130. At all relevant times, the Christensens breached these duties by, in pertinent part:

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- Converting Investor funds, including by (i) transferring Investors' funds to their personal accounts, or to accounts owned and controlled by them, in order to benefit themselves to the detriment of the Investors, including by financing vacation homes or paying back personal debt obligations; (ii) transferring funds received from Investors into affiliated Funds, instead of investing the funds into the promised investment; and (iii) using new Investor funds to make "interest payments" to existing Investors, in typical and obvious Ponzi scheme fashion;

- Knowingly failing to make investment decisions in the best interests of the Investors, by, among other things, failing to invest the Investors' money in real estate opportunities, as promised to the Investors;

- Concealing and misrepresenting material facts concerning the Funds' losses and financial conditions, including by (i) providing misleading, false, or incomplete, reports to the Investors about their investments; (ii) lying to Investors about the use of their investment funds; (iii) lying to Investors about the portfolio of investments for each Fund; (iv) lying to Investors about the iCap Entities' and each Funds' abysmal financial state and lack of profitability or meaningful real estate activity; and

- Causing the Sunset Property to be sold for an under market price to a group of buyers, including Jim Christensen's company, Sunset Terrace; fraudulently causing the Notes to be marked "paid in full" and having the Deeds of Trust "reconveyed" to Colpitts Sunset for no consideration; using the proceeds of the sale of the Sunset Property to which Sunset Colpitts and its Investors were entitled to pay the Consulting Fee; and causing the proceeds of the Short Term Loan and the Additional Loan to be transferred for no consideration to Invalus, an entity that was not a borrower under those loans.

131. The Christensens' fraudulent conduct violated the relationship of trust they had with the Investors and proximately caused the Investors to suffer the loss of funds they invested, and the principal and value derived from their investments they were promised.

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FIRST CAUSE OF ACTION

(Fraud)

(Against the Christensens)

132. The Plaintiffs reallege and incorporate by reference all allegations in the preceding paragraphs of this Complaint as though fully set forth herein.

133. At all relevant times, the Christensens operated the iCap Entities as a Ponzi scheme. The Christensens deceived Investors by making material misrepresentations, or material omissions, to them about the purpose, nature, and strategy of each Fund in order to induce the Investors to invest a total of $230 million into various Funds.

134. Beginning no later than 2017 and continuing through 2023, the Christensens knowingly concealed from Investors, and/or made material representations, concerning iCap and its Funds, including, among other things, the Funds' profitability, the use of Investor proceeds, how the investments would be secure, how the Funds would generate cash flow, and how Investors were paid, among other material facts. The Christensens lied, or failed to disclose, to Investors concerning the following material facts that: (a) Funds received from new Investors in the iCap Entities and intercompany transfers were used to make payments to already existing Investors; (b) the iCap Entities' real estate business provided little or no return on investment; (c) new investments and intercompany transfers were used to compensate and as a source of purported loans to Chris Christensen, which were never paid back; (d) the Christensens diverted funds from iCap Entities to their own accounts or to the accounts of entities they owned or controlled for the Christensens' personal benefit, and to the detriment of Investors; (e) the Investors' investments in the

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Funds were not secure; and (f) the iCap Entities or its Funds had no meaningful real estate activity.

135. The Christensens knew the representations were false at the time each was made to the Investors and/or Defendants made all such false representations with reckless disregard for the truth or falsity of the statements.

136. The Investors were unaware of Defendants' fraudulent conduct, and reasonably relied upon, among other things, Defendants' representations regarding iCap and its various Funds.

137. The Investors' reliance on the Christensens' statements was reasonable because the Christensens were under an obligation, as a result of their duties as fiduciaries, to disclose any material issue or fact regarding the iCap Entities and the Funds.

138. Had Investors known the truth about the iCap Entities and the Funds, including that the Funds undertook no meaningful real estate activity, that the Investors were receiving monthly interest payments with funds received from other Investors, and that the Christensens were converting their money, the Investors would not have invested with the iCap Entities.

139. The Christensens each acted knowingly or with a reckless disregard for the truth when they made the material misrepresentations and omitted the disclosure of material facts in order to sustain their fraudulent Ponzi scheme.

140. As a direct, proximate, and foreseeable result of the Christensens' intentional and/or reckless false statements and/or their intentional failure to disclose material facts, the Investors have suffered actual damages in an amount to be determined at trial.

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SECOND CAUSE OF ACTION

(Breach of Fiduciary Duty)

(Against the Christensens)

141. The Plaintiffs reallege and incorporate by reference all allegations in the preceding paragraphs of this Complaint as though fully set forth herein.

142. The Christensens wrongly led the Investors to reasonably believe that the Christensens were managing their funds with honesty, integrity, and for the Investors' benefit through the Christensens': (a) exercise of sole and exclusive discretion over all investment decisions, the management of Fund assets, the business affairs and operations of the iCap Entities, and the preparation and dissemination of financial information to the Investors; (b) promises and assurances that they would take care of the Investors and protect their investments with the upmost care, honestly, diligence, and integrity; and (c) solicitation of Investors by touting their superiority, dominance, and expertise in real estate investments.

143. The Christensens' representations that they were experienced and trustworthy investment professionals caused the Investors to feel safe and secure in their decision to invest with the iCap Entities, extend maturity dates, or rollover into new investments, and as a result of these representations, the Investors relaxed their care and vigilance accordingly. The Investors justifiably relied on the Christensens to take care of their financial interests.

144. Due to their controlling positions, actions, and representations to the Investors, and the Investors' relationship of trust and confidence in the Christensens, which the Christensens knowingly accepted, the Christensens owed the Investors fiduciary duties,

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including, but not limited to, the duties of loyalty, care, integrity, candor, full disclosure, and to deal honestly and in good faith.

145. These duties required the Christensens to act at all times in the best interests of the investors, to avoid self-dealing and conflicts of interest, and to provide truthful and complete information and disclosure concerning the Funds' operations and performance.

146. At all relevant times, the Christensens breached these duties by, in pertinent part:

- Converting Investor funds, including by (i) transferring Investors' funds and assets to their personal accounts or entities, or to accounts or entities owned and controlled by them, in order to benefit themselves to the detriment of the Investors, including by financing vacation homes or paying back personal debt obligations; (ii) transferring funds received from Investors into affiliated Funds, instead of investing the funds into the promised investment; and (iii) using new Investor funds to make "interest payments" to existing Investors, in typical and obvious Ponzi scheme fashion;

- Knowingly failing to make investment decisions in the best interests of the Investors, by, among other things, failing to invest the Investors' money in real estate opportunities, as promised to the Investors;

- Concealing and misrepresenting material facts concerning the Funds' losses and financial conditions, including by (i) providing misleading, false, or incomplete, reports to the Investors about their investments; (ii) lying to Investors about the use of their investment funds; (iii) lying to Investors about the portfolio of investments for each Fund; (iv) lying to Investors about the iCap Entities' and each Funds' abysmal financial state and lack of profitability or meaningful real estate activity; and

- Causing the Sunset Property to be sold for an under-market price to a group of buyers, including Jim Christensen's company, Sunset Terrace; fraudulently causing the Notes to be marked "paid in full" and having the Deeds of Trust "reconveyed" to Colpitts Sunset for no consideration; using the proceeds of the sale of the Sunset Property to which Sunset Colpitts and its Investors were entitled to pay the

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Consulting Fee; and causing the proceeds of the Short Term Loan and the Additional Loan to be transferred for no consideration to Sunset Terrace, an entity that was not a borrower under those loans.

147. As a direct and proximate result of Chris Christensen's and Jim Christensen's breaches of their fiduciary duties, the Investors have been damaged to the full extent of their lost investments, and the Trustees now sue to recover all such lost investment funds as damages proximately caused by these breaches of fiduciary duty, in an amount to be proven at trial.

THIRD CAUSE OF ACTION

(Conversion)

(Against Chris Christensen)

148. Plaintiffs incorporate by reference the allegations contained in the foregoing paragraphs as if set forth fully herein.

149. At all relevant times, the Investors were the owners of, had an interest in, and/or entitled to immediate possession of, specific funds they invested in the Funds and the right to any benefit, value, or proceeds derived therefrom. The Investors invested their money in the Funds, owned, controlled, and managed by Chris Christensen and Jim Christensen, entrusting those monies to be managed by the Christensens on the Investors' behalf.

150. Between the years 2013 and 2023, instead of using the Investors' funds to invest in real estate opportunities or other stated objectives for the Investors' benefit, Chris Christensen, without authorization or lawful justification, intentionally exercised dominion and control over the Investors' funds, including by converting those funds for his own

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personal benefit and to perpetrate the Ponzi scheme, as set forth above, in violation of his fiduciary duties to the Investors.

151. Chris Christensen's conversion of the Investors' funds between the years 2013 and 2023 was inconsistent with the Investors' rights in connection with their funds, including their right to the use, or benefit, value, or proceeds derived therefrom.

152. Chris Christensen's unlawful conversion of the Investors' funds in the total amount of $30,469,282 has directly and proximately caused damages to the Investors in an amount to be proven at trial, including the loss of their investments and interest.

153. In addition, Chris Christensen wrongfully transferred, diverted, and embezzled the Notes, the Proceeds of the Short Term Loan, and the Additional Loans to the detriment of the Investors which directly and proximately caused damages to the Investors in an amount to be proven at trial, including the loss of their investments, consequential damages, and interest.

FOURTH CAUSE OF ACTION

(Conversion)

(Against Jim Christensen)

154. Plaintiffs incorporate by reference the allegations contained in the foregoing paragraphs as if set forth fully herein.

155. At all relevant times, the Investors were the owners of, had an interest in, and/or entitled to immediate possession of, specific funds they invested in the Funds and the right to any benefit, value, or proceeds derived therefrom. The Investors invested their money in the Funds, owned, controlled, and managed by Chris Christensen and Jim

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Christensen, entrusting those monies to be managed by the Christensens on the Investors' behalf.

156. Between the years 2013 and 2023, instead of using the Investors' funds to invest in real estate opportunities or other stated objectives for the Investors' benefit, Jim Christensen, without authorization or lawful justification, intentionally exercised dominion and control over the Investors' funds, including by converting those funds for his own personal benefit and to perpetrate the Ponzi scheme, as set forth above, in violation of his fiduciary duties to the Investors.

157. Jim Christensen's conversion of the Investors' funds between the years 2013 and 2023 was inconsistent with the Investors' rights in connection with their funds, including their right to the use, or benefit, value, or proceeds derived therefrom.

158. Jim Christensen's unlawful conversion of the Investors' funds in the total amount of $238,520 has directly and proximately caused damages to the Investors in an amount to be proven at trial, including the loss of their investments, consequential damages, and interest.

159. In addition, Jim Christensen wrongfully transferred, diverted, and embezzled the Notes, the Proceeds of the Short Term Loan, and the Additional Loans to the detriment of the Investors which directly and proximately caused damages to the Investors in an amount to be proven at trial, including the loss of their investments and interest.

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FIFTH CAUSE OF ACTION

(Avoidance and Recovery of Actual Fraudulent Transfers Against Chris Christensen)

(11 U.S.C. §§ 548(a)(1)(A) and 550(a))

160. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

161. Under section 548(a)(1)(A) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest of the Debtors in property that was made on or within two years before the Petition Date if the Debtors made such transfer with actual intent to hinder, delay, or defraud any entity to which the Debtors were indebted.

162. Between the years 2020 and 2023, the Debtors, under the Christensens' control, transferred certain property to Chris Christensen or to his personal entities, totaling $21,560,673 as set forth in paragraphs 85 through 88 above (the "**Chris Christensen Insider Transfers**").

Year	$ Amount
2020	**$2,420,365**
2021	**$891,551**
2022	**$16,402,416**
2023	**$1,170,076**
Chris Christensen Total Transfers	**$20,884,408**

Year	$ Amount
2020	**$110,126**
2021	**$419,139**
2022	**$96,000**
2023	**$51,000**
Oceanaire Total Transfers	**$676,265**

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Chris Christensen Insider Transfers 2020 - 2023	
Chris Christensen Total Transfers	**$20,884,408**
Oceanaire Total Transfers	**$676,265**
Total Chris Christensen Insider Transfers	**$21,560,673**

163. Some or all of the Chris Christensen Insider Transfers were made within two years prior to the Petition Date.

164. The Debtors made the Chris Christensen Insider Transfers with actual intent to hinder, delay, or defraud the Investors (*i.e.*, people and entities to which the Debtors were indebted).

165. "Badges of fraud" typically include actions such as transferring property to insiders for little or no consideration, issuing false or misleading statements, failing to disclose critical financial information, or concealing assets.

166. The "badges of fraud" establishing the Debtors and Chris Christensen's intent are manifold: the Debtors operated as a Ponzi scheme throughout the period, resulting in Investor losses totaling hundreds of millions of dollars; the Debtors and the Christensens repeatedly lied or misrepresented the truth to the Investors throughout the period in question regarding the Debtors' financial health; and the transfers at issue served no legitimate business purpose nor did they result in any benefit for the Debtors.

167. As a result, the Chris Christensen Insider Transfers should be avoided pursuant to section 548(a)(1)(A) of the Bankruptcy Code and Plaintiffs are entitled to recover the value of the avoided transfers from Chris Christensen as the immediate transferee under section 550(a) of the Bankruptcy Code.

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SIXTH CAUSE OF ACTION

(Avoidance and Recovery of Constructive Fraudulent Transfers Against Chris Christensen)

(11 U.S.C. §§ 548(a)(1)(B) and 550(a))

168. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

169. Under section 548(a)(1)(B) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest of the Debtors in property that was made on or within two years before the Petition Date if the Debtors received less than reasonably equivalent value in exchange for such transfer and was engaged or about to engage in a business for which its remaining assets and/or capital were unreasonably small in relation to the business; (b) intended to incur, or reasonably should have believed that it would incur, debts beyond its ability to pay as they became due; and/or (c) was insolvent or would be rendered insolvent by the transfer.

170. Between the years 2020 and 2023, the Debtors, under the Christensens' control, made the Chris Christensen Insider Transfers as set forth in paragraphs 85 and 86 above.

Year	$ Amount
2020	**$2,420,365**
2021	**$891,551**
2022	**$16,402,416**
2023	**$1,170,076**
Chris Christensen Total Transfers	**$20,884,408**

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Year	$ Amount
2020	**$110,126**
2021	**$419,139**
2022	**$96,000**
2023	**$51,000**
Oceanaire Total Transfers	**$676,265**

Chris Christensen Insider Transfers 2020 - 2023	
Chris Christensen Total Transfers	**$20,884,408**
Oceanaire Total Transfers	**$676,265**
Total Chris Christensen Insider Transfers	**$21,560,673**

171. Some or all of the Chris Christensen Insider Transfers were made within two years prior to the Petition Date.

172. On the date of each of the Chris Christensen Insider Transfers, the Debtors: (a) received less than reasonably equivalent value for such transfers; (b) were insolvent or became insolvent as a result of such transfers; (c) were engaged in business or a transaction, or about to engage in business or transaction, for which any property remaining with the Debtors was an unreasonably small capital at the time of, or as a result of, the transfers; (d) intended, at the times relevant to this Complaint, to incur, or believed that the Debtors would incur, debts that would be beyond its ability to pay as such debts matured; and/or (e) such transfers were concealed and not disclosed to anyone, including the Investors.

173. As a result, the Chris Christensen Insider Transfers should be avoided pursuant to section 548(a)(1)(B) of the Bankruptcy Code and Plaintiffs are entitled to recover the value of the avoided transfers from Chris Christensen as the immediate transferee under section 550(a) of the Bankruptcy Code.

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SEVENTH CAUSE OF ACTION

(Avoidance and Recovery of Actual Fraudulent Transfers Against Chris Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.041(1)(a))

174. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

175. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

176. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

177. Under RCW § 19.40.041(1)(a), a transfer by a debtor is voidable as to a creditor, whether the creditor's claim arose before or after the transfer was made or the obligation was incurred, if the debtor made the transfer with actual intent to hinder, delay, or defraud any creditor of the debtor.

178. The Debtors made the Chris Christensen Insider Transfers with actual intent to hinder, delay, or defraud the Investors (*i.e.,* people and entities to which the Debtors were indebted).

179. "Badges of fraud" typically include actions such as transferring property to insiders for little or no consideration, issuing false or misleading statements, failing to disclose critical financial information, or concealing assets.

180. The "badges of fraud" establishing the Debtors and Chris Christensen's intent are manifold: the Debtors operated as a Ponzi scheme throughout the period, resulting in

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investor losses totaling hundreds of millions of dollars; the Debtors and the Christensens repeatedly lied or misrepresented the truth to the Investors throughout the period in question regarding the Debtors' financial health; and the transfers at issue served no legitimate business purpose, did not result in any benefit for the Debtors as a result, and their existence was never communicated to Investors.

181. As a result, the Chris Christensen Insider Transfers should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.041(1)(a) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover the value of the avoided transfers from Chris Christensen as the immediate transferee under section 550(a) of the Bankruptcy Code.

EIGHTH CAUSE OF ACTION

(Avoidance and Recovery of Constructive Fraudulent Transfers Against Chris Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.041(1)(b))

182. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

183. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

184. Under RCW § 19.40.041(1)(b), a transfer is voidable as to a creditor, whether the creditor's claim arose before or after the transfer was made, if the debtor made the transfer without receiving reasonably equivalent value in exchange for the transfer, and the

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debtor: (a) was engaged or was about to engage in a business or a transaction for which the remaining assets of the debtor were unreasonably small in relation to the business or transaction; or (b) intended to incur, or believed or reasonably should have believed that the debtor would incur, debts beyond the debtor's ability to pay as they became due.

185. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

186. Between the years 2019 and 2023, the Debtors, under the Christensens' control, made the Chris Christensen Insider Transfers as set forth in paragraphs 85 through 88 above.

Year	$ Amount
2019	**$1,189,748**
2020	**$2,420,365**
2021	**$891,551**
2022	**$16,402,416**
2023	**$1,170,076**
Chris Christensen Total Transfers	**$22,074,156**

Year	$ Amount
2019	**$68,713**
2020	**$110,126**
2021	**$419,139**
2022	**$96,000**
2023	**$51,000**
Oceanaire Total Transfers	**$744,978**

Chris Christensen Insider Transfers 2019 - 2023	
Chris Christensen Total Transfers	**$22,074,156**
Oceanaire Total Transfers	**$744,978**
Total Chris Christensen Insider Transfers	**$22,819,134**

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187. Some or all of the Chris Christensen Insider Transfers were made within four years prior to the Petition Date.

188. On the date of each of the Chris Christensen Insider Transfers, the Debtors: (a) received less than reasonably equivalent value for such transfers; (b) were insolvent or became insolvent as a result of such transfers; and (c) were engaged or were about to engage in a business or a transaction for which the remaining assets of the Debtors were unreasonably small in relation to the business or transaction; or (d) intended to incur, or believed or reasonably should have believed that the Debtors would incur, debts beyond the Debtors' ability to pay as they became due.

189. As a result, the Chris Christensen Insider Transfers should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.041(1)(b) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover the value of the avoided transfers from Chris Christensen as the immediate transferee under section 550(a) of the Bankruptcy Code.

NINTH CAUSE OF ACTION

(Avoidance and Recovery of Constructive Fraudulent Transfers Against Chris Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.051(1))

190. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

191. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a

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creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

192. Under RCW § 19.40.051(1), a transfer is voidable as to a creditor whose claim arose before the transfer was made if the debtor made the transfer without receiving reasonably equivalent value in exchange for the transfer and the debtor was insolvent at that time or the debtor became insolvent as a result of the transfer.

193. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

194. Between the years 2019 and 2023, the Debtors, under the Christensens' control, made the Chris Christensen Insider Transfers as set forth in paragraphs 85 and 86 above.

Year	$ Amount
2019	**$1,189,748**
2020	**$2,420,365**
2021	**$891,551**
2022	**$16,402,416**
2023	**$1,170,076**
Chris Christensen Total Transfers	**$22,074,156**

Year	$ Amount
2019	**$68,713**
2020	**$110,126**
2021	**$419,139**
2022	**$96,000**
2023	**$51,000**
Oceanaire Total Transfers	**$744,978**

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Chris Christensen Insider Transfers 2019 - 2023	
Chris Christensen Total Transfers	**$22,074,156**
Oceanaire Total Transfers	**$744,978**
Total Chris Christensen Insider Transfers	**$22,819,134**

195. Some or all of the Chris Christensen Insider Transfers were made within four years prior to the Petition Date.

196. On the date of each of the Chris Christensen Insider Transfers, the Debtors made the transfer without receiving reasonably equivalent value in exchange for the transfer and the Debtors were insolvent at that time or the Debtors became insolvent as a result of the transfer.

197. As a result, the Chris Christensen Insider Transfers should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.051(1) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover the value of the avoided transfers from Chris Christensen as the immediate transferee under section 550(a) of the Bankruptcy Code.

TENTH CAUSE OF ACTION

(Avoidance and Recovery of Insider Fraudulent Transfers Against Chris Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.051(2))

198. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

199. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a

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creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

200. Under RCW § 19.40.051(2), a transfer is voidable as to a creditor whose claim arose before the transfer was made if the transfer was made to an insider for an antecedent debt, the debtor was insolvent at that time, and the insider had reasonable cause to believe that the debtor was insolvent.

201. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

202. Between the years 2019 and 2023, the Debtors, under the Christensens' control, made the Chris Christensen Insider Transfers as set forth in paragraphs 85 through 88 above.

Year	$ Amount
2019	**$1,189,748**
2020	**$2,420,365**
2021	**$891,551**
2022	**$16,402,416**
2023	**$1,170,076**
Chris Christensen Total Transfers	**$22,074,156**

Year	$ Amount
2019	**$68,713**
2020	**$110,126**
2021	**$419,139**
2022	**$96,000**
2023	**$51,000**
Oceanaire Total Transfers	**$744,978**

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Chris Christensen Insider Transfers 2019 - 2023	
Chris Christensen Total Transfers	**$22,074,156**
Oceanaire Total Transfers	**$744,978**
Total Chris Christensen Insider Transfers	**$22,819,134**

203. Some or all of the Chris Christensen Insider Transfers were made within four years prior to the Petition Date.

204. On the date of each of the Chris Christensen Insider Transfers, the Debtors made the transfer to an "insider" (*i.e.,* Chris Christensen) without receiving reasonably equivalent value in exchange for the transfer, the Debtors were insolvent at that time or the Debtors became insolvent as a result of the transfer, and the relevant insider (*i.e.,* Chris Christensen) had reasonable cause to believe that the Debtors were insolvent.

205. As a result, the Chris Christensen Insider Transfers should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.051(2) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover the value of the avoided transfers from Chris Christensen as the immediate transferee under section 550(a) of the Bankruptcy Code.

ELEVENTH CAUSE OF ACTION

(Avoidance and Recovery of Actual Fraudulent Transfers Against Jim Christensen)

(11 U.S.C. §§ 548(a)(1)(A) and 550(a))

206. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

207. Under section 548(a)(1)(A) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest of the Debtors in property that was made on or within two years before

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the Petition Date if the Debtors made such transfer with actual intent to hinder, delay, or defraud any entity to which the Debtors were indebted.

208. Between the years 2020 and 2023, the Debtors, under the Christensens' control, transferred certain property to Jim Christensen, totaling $238,250 as set forth in paragraphs 89 and 90 above (the "**Jim Christensen Insider Transfers**").

Year	$ Amount
2020	**$0**
2021	**$200,000**
2022	**$0**
2023	**$38,250**
Total Jim Christensen Insider Transfers	**$238,250**

209. Some or all of the Jim Christensen Insider Transfers were made within two years prior to the Petition Date.

210. The Debtors made the Jim Christensen Insider Transfers with actual intent to hinder, delay, or defraud the Investors (*i.e.,* people and entities to which the Debtors were indebted).

211. "Badges of fraud" typically include actions such as transferring property to insiders for little or no consideration, issuing false or misleading statements, failing to disclose critical financial information, or concealing assets.

212. The "badges of fraud" establishing the Debtors' and Jim Christensen's intent are manifold: the Debtors operated as a Ponzi scheme throughout the period, resulting in investor losses totaling hundreds of millions of dollars; the Debtors and the Christensens repeatedly lied or misrepresented the truth to the Investors throughout the period in question

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regarding the Debtors' financial health; and the transfers at issue served no legitimate business purpose nor did they result in any benefit for the Debtors as a result.

213. As a result, the Jim Christensen Insider Transfers should be avoided pursuant to section 548(a)(1)(A) of the Bankruptcy Code and Plaintiffs are entitled to recover the value of the avoided transfers from Jim Christensen as the immediate transferee under section 550(a) of the Bankruptcy Code.

TWELFTH CAUSE OF ACTION

(Avoidance and Recovery of Constructive Fraudulent Transfers Against Jim Christensen)

(11 U.S.C. §§ 548(a)(1)(B) and 550(a))

214. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

215. Under section 548(a)(1)(B) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest of the Debtors in property that was made on or within two years before the Petition Date if the Debtors received less than reasonably equivalent value in exchange for such transfer and was engaged or about to engage in a business for which its remaining assets and/or capital were unreasonably small in relation to the business; (b) intended to incur, or reasonably should have believed that it would incur, debts beyond its ability to pay as they became due; and/or (c) was insolvent or would be rendered insolvent by the transfer.

216. Between the years 2020 and 2023, the Debtors, under the Christensens' control, made the Jim Christensen Insider Transfers as set forth in paragraphs 89 and 90 above.

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Year	$ Amount
2020	**$0**
2021	**$200,000**
2022	**$0**
2023	**$38,250**
Total Jim Christensen Insider Transfers	**$238,250**

217. Some or all of the Jim Christensen Insider Transfers were made within two years prior to the Petition Date.

218. On the date of each of the Jim Christensen Insider Transfers, the Debtors: (a) received less than reasonably equivalent value for such transfers; (b) were insolvent or became insolvent as a result of such transfers; (c) were engaged in business or a transaction, or about to engage in business or transaction, for which any property remaining with the Debtors was an unreasonably small capital at the time of, or as a result of, the transfers; (d) intended, at the times relevant to this Complaint, to incur, or believed that the Debtors would incur, debts that would be beyond its ability to pay as such debts matured; and/or (e) such transfers were concealed and not disclosed to anyone, including the Investors.

219. As a result, the Jim Christensen Insider Transfers should be avoided pursuant to section 548(a)(1)(B) of the Bankruptcy Code and Plaintiffs are entitled to recover the value of the avoided transfers from Jim Christensen as the immediate transferee under section 550(a) of the Bankruptcy Code.

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THIRTEENTH CAUSE OF ACTION

(Avoidance and Recovery of Actual Fraudulent Transfers Against Jim Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.041(1)(a))

220. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

221. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

222. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

223. Under RCW § 19.40.041(1)(a), a transfer by a debtor is voidable as to a creditor, whether the creditor's claim arose before or after the transfer was made or the obligation was incurred, if the debtor made the transfer with actual intent to hinder, delay, or defraud any creditor of the debtor.

224. The Debtors made the Jim Christensen Insider Transfers with actual intent to hinder, delay, or defraud the Investors (*i.e.,* people and entities to which the Debtors were indebted).

225. "Badges of fraud" typically include actions such as transferring property to insiders for little or no consideration, issuing false or misleading statements, failing to disclose critical financial information, or concealing assets.

226. The "badges of fraud" establishing the Debtors' and Jim Christensen's intent are manifold: the Debtors operated as a Ponzi scheme throughout the period, resulting in

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investor losses totaling hundreds of millions of dollars; the Debtors and the Christensens repeatedly lied or misrepresented the truth to the Investors throughout the period in question regarding the Debtors' financial health; and the transfers at issue served no legitimate business purpose, did not result in any benefit for the Debtors as a result, and their existence was never communicated to Investors.

227. As a result, the Jim Christensen Insider Transfers should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.041(1)(a) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover the value of the avoided transfers from Jim Christensen as the immediate transferee under section 550(a) of the Bankruptcy Code.

FOURTEENTH CAUSE OF ACTION

(Avoidance and Recovery of Constructive Fraudulent Transfer Against Jim Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.041(1)(b))

228. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

229. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

230. Under RCW § 19.40.041(1)(b), a transfer is voidable as to a creditor, whether the creditor's claim arose before or after the transfer was made, if the debtor made the transfer without receiving reasonably equivalent value in exchange for the transfer, and the

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debtor (i) was engaged or was about to engage in a business or a transaction for which the remaining assets of the debtor were unreasonably small in relation to the business or transaction; or (ii) intended to incur, or believed or reasonably should have believed that the debtor would incur, debts beyond the debtor's ability to pay as they became due.

231. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

232. Between the years 2019 and 2023, the Debtors, under the Christensens' control, made the Jim Christensen Insider Transfers as set forth in paragraphs 85 and 86 above.

233. Some or all of the Jim Christensen Insider Transfers were made within four years prior to the Petition Date.

234. On the date of each of the Jim Christensen Insider Transfers, the Debtors: (a) received less than reasonably equivalent value for such transfers; (b) were insolvent or became insolvent as a result of such transfers; and (c) were engaged or were about to engage in a business or a transaction for which the remaining assets of the Debtors were unreasonably small in relation to the business or transaction or (d) intended to incur, or believed or reasonably should have believed that the Debtors would incur, debts beyond the Debtors' ability to pay as they became due.

235. As a result, the Jim Christensen Insider Transfers should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.041(1)(b) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover the value of the avoided transfers from Chris Christensen as the immediate transferee under section 550(a) of the Bankruptcy Code.

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FIFTEENTH CAUSE OF ACTION

(Avoidance and Recovery of Constructive Fraudulent Transfers Against Jim Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.051(1))

236. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

237. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

238. Under RCW § 19.40.051(1), a transfer is voidable as to a creditor whose claim arose before the transfer was made if the debtor made the transfer without receiving reasonably equivalent value in exchange for the transfer and the debtor was insolvent at that time or the debtor became insolvent as a result of the transfer.

239. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

240. Between the years 2019 and 2023, the Debtors, under the Christensens' control, made the Jim Christensen Insider Transfers as set forth in paragraphs 89 and 90 above.

241. Some or all of the Jim Christensen Insider Transfers were made within four years prior to the Petition Date.

242. On the date of each of the Jim Christensen Insider Transfers, the Debtors made the transfer without receiving reasonably equivalent value in exchange for the transfer and

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the Debtors were insolvent at that time or the Debtors became insolvent as a result of the transfer.

243. As a result, the Jim Christensen Insider Transfers should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.051(1) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover the value of the avoided transfers from Jim Christensen as the immediate transferee under section 550(a) of the Bankruptcy Code.

SIXTEENTH CAUSE OF ACTION

(Avoidance and Recovery of Insider Fraudulent Transfers Against Jim Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.051(2))

244. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

245. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

246. Under RCW § 19.40.051(2), a transfer is voidable as to a creditor whose claim arose before the transfer was made if the transfer was made to an insider for an antecedent debt, the debtor was insolvent at that time, and the insider had reasonable cause to believe that the debtor was insolvent.

247. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

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248. Between the years 2019 and 2023, the Debtors, under the Christensens' control, made the Jim Christensen Insider Transfers as set forth in paragraphs 89 and 90 above.

249. Some or all of the Jim Christensen Insider Transfers were made within four years prior to the Petition Date.

250. On the date of each of the Jim Christensen Insider Transfers, the Debtors made the transfer to an "insider" (*i.e.,* Jim Christensen) without receiving reasonably equivalent value in exchange for the transfer, the Debtors were insolvent at that time or the Debtors became insolvent as a result of the transfer, and the relevant insider (*i.e.,* Jim Christensen) had reasonable cause to believe that the Debtors were insolvent.

251. As a result, the Jim Christensen Insider Transfers should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.051(2) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover the value of the avoided transfers from Jim Christensen as the immediate transferee under section 550(a) of the Bankruptcy Code.

SEVENTEENTH CAUSE OF ACTION

(Avoidance and Recovery of Actual Fraudulent Transfers

Against Oceanaire and Chris Christensen)

(11 U.S.C. §§ 548(a)(1)(A) and 550(a))

252. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

253. Under section 548(a)(1)(A) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest of the Debtors in property that was made on or within two years before

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the Petition Date if the Debtors made such transfer with actual intent to hinder, delay, or defraud any entity to which the Debtors were indebted.

254. Between the years 2020 and 2023, the Debtors, under the Christensens' control, transferred certain property to Oceanaire, totaling $676,265 as set forth in paragraphs 87 and 88 above (the "**Oceanaire Transfers**").

Year	$ Amount
2020	**$110,126**
2021	**$419,139**
2022	**$96,000**
2023	**$51,000**
Total Oceanaire Transfers	**$676,265**

255. At all relevant times, Oceanaire was wholly owned and controlled by its founder, Chris Christensen.

256. Some or all of the Oceanaire Transfers were made within two years prior to the Petition Date.

257. The Debtors made the Oceanaire Transfers with actual intent to hinder, delay, or defraud the Investors (*i.e.,* people and entities to which the Debtors were indebted).

258. "Badges of fraud" typically include actions such as transferring property to insiders for little or no consideration, issuing false or misleading statements, failing to disclose critical financial information, or concealing assets.

259. The "badges of fraud" establishing the Debtors and Chris Christensen/Oceanaire's intent are manifold: the Debtors operated as a Ponzi scheme throughout the period, resulting in investor losses totaling hundreds of millions of dollars; the Debtors and the Christensens repeatedly lied or misrepresented the truth to the Investors

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throughout the period in question regarding the Debtors' financial health; and the transfers at issue served no legitimate business purpose nor did they result in any benefit for the Debtors as a result.

260. As a result, the Oceanaire Transfers should be avoided pursuant to section 548(a)(1)(A) of the Bankruptcy Code and Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the avoided transfers from: (a) Oceanaire, as the initial transferee; or (b) Chris Christensen, as the person for whose benefit such transfers were made.

EIGHTEENTH CAUSE OF ACTION

(Avoidance and Recovery of Constructive Fraudulent Transfers Against Oceanaire and Chris Christensen)

(11 U.S.C. §§ 548(a)(1)(B) and 550(a))

261. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

262. Under section 548(a)(1)(B) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest of the Debtors in property that was made on or within two years before the Petition Date if the Debtors received less than reasonably equivalent value in exchange for such transfer and was engaged or about to engage in a business for which its remaining assets and/or capital were unreasonably small in relation to the business; (b) intended to incur, or reasonably should have believed that it would incur, debts beyond its ability to pay as they became due; and/or (c) was insolvent or would be rendered insolvent by the transfer.

263. Between the years 2020 and 2023, the Debtors, under the Christensens' control, made the Oceanaire Transfers as set forth in paragraphs 87 and 88 above.

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Year	$ Amount
2020	**$110,126**
2021	**$419,139**
2022	**$96,000**
2023	**$51,000**
Total Oceanaire Transfers	**$676,265**

264. Some or all of the Oceanaire Transfers were made within two years prior to the Petition Date.

265. On the date of each of the Oceanaire Transfers, the Debtors: (a) received less than reasonably equivalent value for such transfers; (b) were insolvent or became insolvent as a result of such transfers; (c) were engaged in business or a transaction, or about to engage in business or transaction, for which any property remaining with the Debtors was an unreasonably small capital at the time of, or as a result of, the transfers; (d) intended, at the times relevant to this Complaint, to incur, or believed that the Debtors would incur, debts that would be beyond its ability to pay as such debts matured; and/or (e) such transfers were concealed and not disclosed to anyone, including the Investors.

266. As a result, the Oceanaire Transfers should be avoided pursuant to section 548(a)(1)(B) of the Bankruptcy Code and Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the avoided transfers from: (a) Oceanaire, as the initial transferee; or (b) Chris Christensen, as the person for whose benefit such transfers were made.

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NINETEENTH CAUSE OF ACTION

(Avoidance and Recovery of Actual Fraudulent Transfers Against Oceanaire and Chris Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.041(1)(a))

267. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

268. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

269. Between the years 2020 and 2023, the Debtors, under the Christensens' control, made the Oceanaire Transfers as set forth in paragraphs 87 and 88 above.

Year	$ Amount
2020	**$110,126**
2021	**$419,139**
2022	**$96,000**
2023	**$51,000**
Total Oceanaire Transfers	**$676,265**

270. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

271. Under RCW § 19.40.041(1)(a), a transfer by a debtor is voidable as to a creditor, whether the creditor's claim arose before or after the transfer was made or the obligation was incurred, if the debtor made the transfer with actual intent to hinder, delay, or defraud any creditor of the debtor.

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272. The Debtors made the Oceanaire Transfers with actual intent to hinder, delay, or defraud the Investors (*i.e.,* people and entities to which the Debtors were indebted).

273. "Badges of fraud" typically include actions such as transferring property to insiders for little or no consideration, issuing false or misleading statements, failing to disclose critical financial information, or concealing assets.

274. The "badges of fraud" establishing the Debtors' and Oceanaire/Chris Christensen's intent are manifold: the Debtors operated as a Ponzi scheme throughout the period, resulting in investor losses totaling hundreds of millions of dollars; the Debtors and the Christensens repeatedly lied or misrepresented the truth to the Investors throughout the period in question regarding the Debtors' financial health; and the transfers at issue served no legitimate business purpose, did not result in any benefit for the Debtors as a result, and their existence was never communicated to Investors.

275. As a result, the Oceanaire Transfers should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.041(1)(a) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the avoided transfers from: (a) Oceanaire, as the initial transferee; or (b) Chris Christensen, as the person for whose benefit such transfers were made.

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TWENTIETH CAUSE OF ACTION

(Avoidance and Recovery of Constructive Fraudulent Transfers Against Oceanaire and Chris Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.041(1)(b))

276. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

277. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

278. Under RCW § 19.40.041(1)(b), a transfer is voidable as to a creditor, whether the creditor's claim arose before or after the transfer was made, if the debtor made the transfer without receiving reasonably equivalent value in exchange for the transfer, and the debtor (i) was engaged or was about to engage in a business or a transaction for which the remaining assets of the debtor were unreasonably small in relation to the business or transaction; or (ii) intended to incur, or believed or reasonably should have believed that the debtor would incur, debts beyond the debtor's ability to pay as they became due.

279. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

280. Between the years 2019 and 2023, the Debtors, under the Christensens' control, made the Oceanaire Transfers as set forth in paragraphs 87 and 88 above.

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Year	$ Amount
2013	**$54,927**
2014	**$137,134**
2015	**$13,760**
2016	**$451,141**
2017	**$78,024**
2018	**$1,034,576**
2019	**$68,713**
2020	**$110,126**
2021	**$419,139**
2022	**$96,000**
2023	**$51,000**
Total Oceanaire Transfers	**$2,514,540**

281. Some or all of the Oceanaire Transfers were made within four years prior to the Petition Date.

282. On the date of each of the Oceanaire Transfers, the Debtors: (a) received less than reasonably equivalent value for such transfers; (b) were insolvent or became insolvent as a result of such transfers; and (c) were engaged or were about to engage in a business or a transaction for which the remaining assets of the Debtors were unreasonably small in relation to the business or transaction; or (d) intended to incur, or believed or reasonably should have believed that the Debtors would incur, debts beyond the Debtors' ability to pay as they became due.

283. As a result, the Oceanaire Transfers should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.041(1)(b) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover, under section 550(a) of the

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Bankruptcy Code, the value of the avoided transfers from: (a) Oceanaire, as the initial transferee; or (b) Chris Christensen, as the person for whose benefit such transfers were made.

TWENTY-FIRST CAUSE OF ACTION

(Avoidance and Recovery of Constructive Fraudulent Transfers Against Oceanaire and Chris Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.051(1))

284. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

285. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

286. Under RCW § 19.40.051(1), a transfer is voidable as to a creditor whose claim arose before the transfer was made if the debtor made the transfer without receiving reasonably equivalent value in exchange for the transfer and the debtor was insolvent at that time or the debtor became insolvent as a result of the transfer.

287. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

288. Between the years 2019 and 2023, the Debtors, under the Christensens' control, made the Oceanaire Transfers as set forth in paragraphs 87 and 88 above.

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Year	$ Amount
2013	**$54,927**
2014	**$137,134**
2015	**$13,760**
2016	**$451,141**
2017	**$78,024**
2018	**$1,034,576**
2019	**$68,713**
2020	**$110,126**
2021	**$419,139**
2022	**$96,000**
2023	**$51,000**
Total Oceanaire Transfers	**$2,514,540**

289. Some or all of the Oceanaire Transfers were made within four years prior to the Petition Date.

290. On the date of each of the Oceanaire Transfers, the Debtors made the transfer without receiving reasonably equivalent value in exchange for the transfer and the Debtors were insolvent at that time or the Debtors became insolvent as a result of the transfer.

291. As a result, the Oceanaire Transfers should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.051(1) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the avoided transfers from: (a) Oceanaire, as the initial transferee; or (b) Chris Christensen, as the person for whose benefit such transfers were made.

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TWENTY-SECOND CAUSE OF ACTION

(Avoidance and Recovery of Insider Fraudulent Transfers Against Oceanaire and Chris Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.051(2))

292. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

293. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

294. Under RCW § 19.40.051(2), a transfer is voidable as to a creditor whose claim arose before the transfer was made if the transfer was made to an insider for an antecedent debt, the debtor was insolvent at that time, and the insider had reasonable cause to believe that the debtor was insolvent.

295. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

296. Between the years 2019 and 2023, the Debtors, under the Christensens' control, made the Oceanaire Transfers as set forth in paragraphs 87 and 88 above.

Year	$ Amount
2013	**$54,927**
2014	**$137,134**
2015	**$13,760**
2016	**$451,141**
2017	**$78,024**
2018	**$1,034,576**

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Year	$ Amount
2019	**$68,713**
2020	**$110,126**
2021	**$419,139**
2022	**$96,000**
2023	**$51,000**
Total Oceanaire Transfers	**$2,514,540**

297. Some or all of the Oceanaire Transfers were made within four years prior to the Petition Date.

298. On the date of each of the Oceanaire Transfers, the Debtors made the transfer to an "insider" (*i.e.,* Chris Christensen's entity) without receiving reasonably equivalent value in exchange for the transfer, the Debtors were insolvent at that time or the Debtors became insolvent as a result of the transfer, and the relevant insider (*i.e.,* Chris Christensen's entity) had reasonable cause to believe that the Debtors were insolvent.

299. As a result, the Oceanaire Transfers should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.051(2) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the avoided transfers from: (a) Oceanaire, as the initial transferee; or (b) Chris Christensen, as the person for whose benefit such transfers were made.

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TWENTY-THIRD CAUSE OF ACTION

(Avoidance and Recovery of Actual Fraudulent Transfer Against Sunset Terrace and Jim Christensen)

(11 U.S.C. §§ 548(a)(1)(A) and 550(a))

300. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

301. Under section 548(a)(1)(A) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest of the Debtors in property that was made on or within two years before the Petition Date if the Debtors made such transfer with actual intent to hinder, delay, or defraud any entity to which the Debtors were indebted.

302. Sunset Terrace wrongly received a 10% interest in the Sunset Property. As described above, on March 31, 2023, Colpitts Sunset entered into a PSA pursuant to which it agreed to sell the Sunset Property for $44 million to Olympia, Sunset Living, and Sunset Terrace – even though Sunset Terrace was wholly owned by Jim Christensen.

303. Jim Christensen entered into the PSA on Sunset Terrace's behalf (even though Sunset Terrace was not formed as a Washington limited liability company until July 6, 2023), and Chris Christensen signed the PSA on Colpitts Sunset's behalf. The sale of the Sunset Property was another step in the Christensens' efforts to enrich themselves at the expense of iCap's Investors.

304. The below-market sale of the Sunset Property and, in particular, the transfer of the 10% interest to insider-controlled Sunset Terrace, was made within two years prior to the Petition Date and with actual intent to hinder, delay, or defraud the Investors (*i.e.,* people and entities to which the Debtors were indebted).

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305. "Badges of fraud" typically include actions such as transferring property to insiders for little or no consideration, issuing false or misleading statements, failing to disclose critical financial information, or concealing assets.

306. The "badges of fraud" establishing the Debtors' and Jim Christensen's intent are manifold: the Debtors operated as a Ponzi scheme throughout the period, resulting in investor losses totaling hundreds of millions of dollars; the Debtors and the Christensens repeatedly lied or misrepresented the truth to the Investors throughout the period in question regarding the Debtors' financial health; and the transfers at issue served no legitimate business purpose nor did they result in any benefit for the Debtors as a result.

307. As a result, the transfer to Sunset Terrace should be avoided pursuant to section 548(a)(1)(A) of the Bankruptcy Code and Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the avoided transfer from: (a) Sunset Terrace, as the initial transferee; or (b) Jim Christensen, as the person for whose benefit such transfer was made.

TWENTY-FOURTH CAUSE OF ACTION

(Avoidance and Recovery of Constructive Fraudulent Transfer Against Sunset Terrace and Jim Christensen)

(11 U.S.C. §§ 548(a)(1)(B) and 550(a))

308. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

309. Under section 548(a)(1)(B) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest of the Debtors in property that was made on or within two years before the Petition Date if the Debtors received less than reasonably equivalent value in exchange

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for such transfer and was engaged or about to engage in a business for which its remaining assets and/or capital were unreasonably small in relation to the business; (b) intended to incur, or reasonably should have believed that it would incur, debts beyond its ability to pay as they became due; and/or (c) was insolvent or would be rendered insolvent by the transfer.

310. The below-market sale of the Sunset Property and, in particular, the transfer of the 10% interest to insider-controlled Sunset Terrace, was made within two years prior to the Petition Date.

311. Sunset Terrace wrongly received the 10% interest in the Sunset Property. As described above, on March 31, 2023, Colpitts Sunset entered into a PSA pursuant to which it agreed to sell the Sunset Property for $44 million to Olympia, Sunset Living, and Sunset Terrace – even though Sunset Terrace was wholly owned by Jim Christensen.

312. Jim Christensen signed the PSA on Sunset Terrace's behalf (even though Sunset Terrace was not formed as a Washington limited liability company until July 6, 2023), and Chris Christensen signed the PSA on Colpitts Sunset's behalf. The sale of the Sunset Property was another step in the Christensens' efforts to enrich themselves at the expense of iCap's Investors.

313. On the date of the sale of the Sunset Property, the Debtors: (a) received less than reasonably equivalent value for such transfer; (b) were insolvent or became insolvent as a result of such transfer; (c) were engaged in business or a transaction, or about to engage in business or transaction, for which any property remaining with the Debtors was an unreasonably small capital at the time of, or as a result of, the transfer; (d) intended, at the times relevant to this Complaint, to incur, or believed that the Debtors would incur, debts

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that would be beyond its ability to pay as such debts matured; and/or (e) such transfer was concealed and not disclosed to anyone, including the Investors.

314. At all relevant times, Colpitts Sunset had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

315. As a result, the transfer to Sunset Terrace should be avoided pursuant to section 548(a)(1)(B) of the Bankruptcy Code and Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the avoided transfer from: (a) Sunset Terrace, as the initial transferee; or (b) Jim Christensen, as the person for whose benefit such transfer was made.

TWENTY-FIFTH CAUSE OF ACTION

(Avoidance and Recovery of Actual Fraudulent Transfer Against Sunset Terrace and Jim Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.041(1)(a))

316. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

317. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

318. The below-market sale of the Sunset Property and, in particular, the transfer of a 10% interest to insider-controlled Sunset Terrace, was made within two years prior to the Petition Date.

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319. Sunset Terrace wrongly received the 10% interest in the Sunset Property. As described above, on March 31, 2023, Colpitts Sunset entered into a PSA pursuant to which it agreed to sell the Sunset Property for $44 million to Olympia, Sunset Living, and Sunset Terrace – even though Sunset Terrace was wholly owned by Jim Christensen.

320. Jim Christensen signed the PSA on Sunset Terrace's behalf (even though Sunset Terrace was not formed as a Washington limited liability company until July 6, 2023), and Chris Christensen signed the PSA on Colpitts Sunset's behalf. The sale of the Sunset Property was another step in the Christensens' efforts to enrich themselves at the expense of iCap's Investors.

321. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

322. Under RCW § 19.40.041(1)(a), a transfer by a debtor is voidable as to a creditor, whether the creditor's claim arose before or after the transfer was made or the obligation was incurred, if the debtor made the transfer with actual intent to hinder, delay, or defraud any creditor of the debtor.

323. The Debtors conducted the sale of the Sunset Property with actual intent to hinder, delay, or defraud the Investors (*i.e.,* people and entities to which the Debtors were indebted).

324. "Badges of fraud" typically include actions such as transferring property to insiders for little or no consideration, issuing false or misleading statements, failing to disclose critical financial information, or concealing assets.

325. The "badges of fraud" establishing the Debtors' and Sunset Terrace/Jim Christensen's intent are manifold: the Debtors operated as a Ponzi scheme throughout the

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period, resulting in investor losses totaling hundreds of millions of dollars; the Debtors and the Christensens repeatedly lied or misrepresented the truth to the Investors throughout the period in question regarding the Debtors' financial health; and the transfers at issue served no legitimate business purpose, did not result in any benefit for the Debtors as a result, and their existence was never communicated to Investors.

326. As a result, the transfer to Sunset Terrace should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.041(1)(a) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the avoided transfer from: (a) Sunset Terrace, as the initial transferee; or (b) Jim Christensen, as the person for whose benefit such transfer was made.

TWENTY-SIXTH CAUSE OF ACTION

(Avoidance and Recovery of Constructive Fraudulent Transfer Against Sunset Terrace and Jim Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.041(1)(b))

327. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

328. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

329. Under RCW § 19.40.041(1)(b), a transfer is voidable as to a creditor, whether the creditor's claim arose before or after the transfer was made, if the debtor made the transfer without receiving reasonably equivalent value in exchange for the transfer, and the

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debtor (i) was engaged or was about to engage in a business or a transaction for which the remaining assets of the debtor were unreasonably small in relation to the business or transaction; or (ii) intended to incur, or believed or reasonably should have believed that the debtor would incur, debts beyond the debtor's ability to pay as they became due.

330. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

331. The below-market sale of the Sunset Property and, in particular, the transfer of a 10% interest to insider-controlled Sunset Terrace, was made within two years prior to the Petition Date.

332. Sunset Terrace wrongly received the 10% interest in the Sunset Property. As described above, on March 31, 2023, Colpitts Sunset entered into a PSA pursuant to which it agreed to sell the Sunset Property for $44 million to Olympia, Sunset Living, and Sunset Terrace – even though Sunset Terrace was wholly owned by Jim Christensen.

333. Jim Christensen signed the PSA on Sunset Terrace's behalf (even though Sunset Terrace was not formed as a Washington limited liability company until July 6, 2023), and Chris Christensen signed the PSA on Colpitts Sunset's behalf. The sale of the Sunset Property was another step in the Christensens' efforts to enrich themselves at the expense of iCap's Investors.

334. On the date of the transfer of the Sunset Property, the Debtors: (a) received less than reasonably equivalent value for such transfer; (b) were insolvent or became insolvent as a result of such transfer; and (c) were engaged or were about to engage in a business or a transaction for which the remaining assets of the Debtors were unreasonably small in relation to the business or transaction; or (d) intended to incur, or believed or

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reasonably should have believed that the Debtors would incur, debts beyond the Debtors' ability to pay as they became due.

335. As a result, the transfer to Sunset Terrace should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.041(1)(b) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the avoided transfer from: (a) Sunset Terrace, as the initial transferee; or (b) Jim Christensen, as the person for whose benefit such transfer was made.

TWENTY-SEVENTH CAUSE OF ACTION

(Avoidance and Recovery of Constructive Fraudulent Transfer Against Sunset Terrace and Jim Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.051(1))

336. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

337. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

338. Under RCW § 19.40.051(1), a transfer is voidable as to a creditor whose claim arose before the transfer was made if the debtor made the transfer without receiving reasonably equivalent value in exchange for the transfer and the debtor was insolvent at that time or the debtor became insolvent as a result of the transfer.

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339. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

340. The below-market sale of the Sunset Property and, in particular, the transfer of a 10% interest to insider-controlled Sunset Terrace, was made within two years prior to the Petition Date.

341. Sunset Terrace wrongly received the 10% interest in the Sunset Property. As described above, on March 31, 2023, Colpitts Sunset entered into a PSA pursuant to which it agreed to sell the Sunset Property for $44 million Olympia, Sunset Living, and Sunset Terrace – even though Sunset Terrace was wholly owned by Jim Christensen.

342. Jim Christensen signed the PSA on Sunset Terrace's behalf (even though Sunset Terrace was not formed as a Washington limited liability company until July 6, 2023), and Chris Christensen signed the PSA on Colpitts Sunset's behalf. The sale of the Sunset Property was another step in the Christensens' efforts to enrich themselves at the expense of iCap's Investors.

343. On the date of the transfer to Sunset Terrace, the Debtors made the transfer without receiving reasonably equivalent value in exchange for the transfer and the Debtors were insolvent at that time or the Debtors became insolvent as a result of the transfer.

344. As a result, the transfer to Sunset Terrace should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.051(1) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the avoided transfer from: (a) Sunset Terrace, as the initial transferee; or (b) Jim Christensen, as the person for whose benefit such transfer was made.

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TWENTY-EIGHTH CAUSE OF ACTION

(Avoidance and Recovery of Insider Fraudulent Transfers Against Sunset Terrace and Jim Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.051(2))

345. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

346. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

347. Under RCW § 19.40.051(2), a transfer is voidable as to a creditor whose claim arose before the transfer was made if the transfer was made to an insider for an antecedent debt, the debtor was insolvent at that time, and the insider had reasonable cause to believe that the debtor was insolvent.

348. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

349. The below-market sale of the Sunset Property and, in particular, the transfer of a 10% interest to insider-controlled Sunset Terrace, was made within two years prior to the Petition Date.

350. Sunset Terrace wrongly received the 10% interest in the Sunset Property. As described above, on March 31, 2023, Colpitts Sunset entered into a PSA pursuant to which it agreed to sell the Sunset Property for $44 million to Olympia, Sunset Living, and Sunset Terrace – even though Sunset Terrace was wholly owned by Jim Christensen.

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351. On the date of the transfer to Sunset Terrace, the Debtors made the transfer to an "insider" (*i.e.,* Jim Christensen's entity) without receiving reasonably equivalent value in exchange for the transfer, the Debtors were insolvent at that time or the Debtors became insolvent as a result of the transfer, and the relevant insider (*i.e.,* Jim Christensen's entity) had reasonable cause to believe that the Debtors were insolvent.

352. As a result, the transfer to Sunset Terrace should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.051(2) of the Washington Uniform Voidable Transactions Act and Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the avoided transfer from: (a) Sunset Terrace, as the initial transferee; or (b) Jim Christensen, as the person for whose benefit such transfer was made.

TWENTY-NINTH CAUSE OF ACTION

(Avoid and Recover the Short Term Loan and Additional Loan as Actual Fraudulent Transfers Against Invalus and Jim Christensen)

(11 U.S.C. §§ 548(a)(1)(A) and 550(a))

353. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

354. Under section 548(a)(1)(A) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest of the Debtors in property that was made on or within two years before the Petition Date if the Debtors made such transfer with actual intent to hinder, delay, or defraud any entity to which the Debtors were indebted.

355. As borrower under the Short Term Loan and the Additional Loan, Colpitts Sunset and its Investors had ownership interests in the proceeds of those loans.

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356. Jim Christensen and/or the Debtors caused the proceeds of the Short Term Loan and the Additional Loan to be transferred for no consideration from the Debtors to Invalus, an entity controlled by Jim Christensen that was not a borrower under those loans.

357. As a result, the transfers of the Short Term Loan and the Additional Loan should be avoided pursuant to section 548(a)(1)(A) of the Bankruptcy Code.

358. Upon avoidance of the Short Term Loan and the Additional Loan, Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the Short Term Loan and the Additional Loan from: (a) Invalus, as the initial transferee; or (b) Jim Christensen, as the person for whose benefit such transfers were made.

THIRTIETH CAUSE OF ACTION

(Avoid and Recover the Short Term Loan and Additional Loan as Constructive Fraudulent Transfers Against Invalus and Jim Christensen)

(11 U.S.C. §§ 548(a)(1)(B) and 550(a))

359. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

360. Under section 548(a)(1)(B) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest of the Debtors in property that was made on or within two years before the Petition Date if the Debtors received less than reasonably equivalent value in exchange for such transfer and was engaged or about to engage in a business for which its remaining assets and/or capital were unreasonably small in relation to the business; (b) intended to incur, or reasonably should have believed that it would incur, debts beyond its ability to pay as they became due; and/or (c) was insolvent or would be rendered insolvent by the transfer.

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361. As borrower under the Short Term Loan and the Additional Loan, Colpitts Sunset and its Investors had ownership interests in the proceeds of those loans.

362. Colpitts Sunset did not receive reasonably equivalent value in exchange for transferring the Short Term Loan and the Additional Loan to Invalus.

363. At the time of the transfer of the Short Term Loan and the Additional Loan to Invalus, Colpitts Sunset (a) was engaged or about to engage in a business for which its remaining assets and/or capital were unreasonably small in relation to the business; (b) intended to incur, or reasonably should have believed that it would incur, debts beyond its ability to pay as they became due; and/or (c) was insolvent or would be rendered insolvent by the transactions undertaken in connection with the Short Term Loan and the Additional Loan.

364. As a result, the transfers of the Short Term Loan and the Additional Loan should be avoided pursuant to section 548(a)(1)(B) of the Bankruptcy Code.

365. Upon avoidance of transfers of the Short Term Loan and the Additional Loan, Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the Short Term Loan and the Additional Loan from: (a) Invalus, as the initial transferee; or (b) Jim Christensen, as the person for whose benefit such transfers were made.

THIRTY-FIRST CAUSE OF ACTION

(Avoid and Recover Short Term Loan and Additional Loan as Actual Fraudulent Transfers Against Invalus and Jim Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.041(1)(a))

366. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

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367. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

368. Under RCW § 19.40.041(1)(a), a transfer by a debtor is voidable as to a creditor, whether the creditor's claim arose before or after the transfer was made or the obligation was incurred, if the debtor made the transfer with actual intent to hinder, delay, or defraud any creditor of the debtor.

369. As borrower under the Short Term Loan and the Additional Loan, Colpitts Sunset and its Investors had ownership interests in the proceeds of those loans.

370. Jim Christensen and/or the Debtors caused the proceeds of the Short Term Loan and the Additional Loan to be transferred for no consideration from the Debtors to Invalus, an entity controlled by Jim Christensen that was not a borrower under those loans.

371. As a result, the transfers of the Short Term Loan and the Additional Loan should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.041(1)(a) of the Washington Uniform Voidable Transactions Act.

372. Upon avoidance of transfers of the Short Term Loan and the Additional Loan, Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the Short Term Loan and the Additional Loan from: (a) Invalus, as the initial transferee; or (b) Jim Christensen, as the person for whose benefit such transfers were made.

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THIRTY-SECOND CAUSE OF ACTION

(Avoid and Recover Short Term Loan and Additional Loan as Constructive Fraudulent Transfers Against Invalus and Jim Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.041(1)(b))

373. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

374. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

375. Under RCW § 19.40.041(1)(b), a transfer is voidable as to a creditor, whether the creditor's claim arose before or after the transfer was made, if the debtor made the transfer without receiving reasonably equivalent value in exchange for the transfer, and the debtor (i) was engaged or was about to engage in a business or a transaction for which the remaining assets of the debtor were unreasonably small in relation to the business or transaction; or (ii) intended to incur, or believed or reasonably should have believed that the debtor would incur, debts beyond the debtor's ability to pay as they became due.

376. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

377. As borrower under the Short Term Loan and the Additional Loan, Colpitts Sunset and its Investors had ownership interests in the proceeds of those loans.

378. Colpitts Sunset did not receive reasonably equivalent value in exchange for transferring the Short Term Loan and the Additional Loan to Invalus.

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379. At the time of the transfer of the Short Term Loan and the Additional Loan to Invalus, Colpitts Sunset (a) was engaged or about to engage in a business for which its remaining assets and/or capital were unreasonably small in relation to the business; (b) intended to incur, or reasonably should have believed that it would incur, debts beyond its ability to pay as they became due; and/or (c) was insolvent or would be rendered insolvent by the transactions undertaken in connection with the Insider Releases.

380. As a result, the transfers of the Short Term Loan and the Additional Loan should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.041(1)(b) of the Washington Uniform Voidable Transactions Act.

381. Upon avoidance of transfers of the Short Term Loan and the Additional Loan, Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the Short Term Loan and the Additional Loan from: (a) Invalus, as the initial transferee; or (b) Jim Christensen, as the person for whose benefit such transfers were made.

THIRTY-THIRD CAUSE OF ACTION

(Avoid and Recover Short Term Loan and Additional Loan as Constructive Fraudulent Transfers Against Invalus and Jim Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.051(1))

382. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

383. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

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384. Under RCW § 19.40.051(1), a transfer is voidable as to a creditor whose claim arose before the transfer was made if the debtor made the transfer without receiving reasonably equivalent value in exchange for the transfer and the debtor was insolvent at that time or the debtor became insolvent as a result of the transfer.

385. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

386. As borrower under the Short Term Loan and the Additional Loan, Colpitts Sunset and its Investors had ownership interests in the proceeds of those loans.

387. Colpitts Sunset did not receive reasonably equivalent value in exchange for transferring the Short Term Loan and the Additional Loan to Invalus.

388. At the time of the transfer of the Short Term Loan and the Additional Loan to Invalus, Colpitts Sunset (a) was engaged or about to engage in a business for which its remaining assets and/or capital were unreasonably small in relation to the business; (b) intended to incur, or reasonably should have believed that it would incur, debts beyond its ability to pay as they became due; and/or (c) was insolvent or would be rendered insolvent by the transactions undertaken in connection with the Insider Releases.

389. As a result, the transfers of the Short Term Loan and the Additional Loan should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.051(1) of the Washington Uniform Voidable Transactions Act.

390. Upon avoidance of transfers of the Short Term Loan and the Additional Loan, Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the Short Term Loan and the Additional Loan from: (a) Invalus, as the initial transferee; or (b) Jim Christensen, as the person for whose benefit such transfers were made.

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THIRTY-FOURTH CAUSE OF ACTION

(Avoid and Recover Short Term Loan and Additional Loan as Insider Fraudulent Transfers Against Invalus and Jim Christensen)

(11 U.S.C. §§ 544(b) and 550(a); RCW § 19.40.051(2))

391. Plaintiffs repeat and reallege the allegations contained in each preceding paragraph of the Complaint as though fully set forth herein.

392. Under section 544(b) of the Bankruptcy Code, Plaintiffs may avoid any transfer of an interest in the Debtors in property that is voidable under applicable law by a creditor holding an unsecured claim that is allowable under section 502 of the Bankruptcy Code.

393. Under RCW § 19.40.051(2), a transfer is voidable as to a creditor whose claim arose before the transfer was made if the transfer was made to an insider for an antecedent debt, the debtor was insolvent at that time, and the insider had reasonable cause to believe that the debtor was insolvent.

394. At all relevant times, the Debtors had actual creditors holding unsecured claims allowable within the meaning of sections 502 and 544(b) of the Bankruptcy Code.

395. As borrower under the Short Term Loan and the Additional Loan, Colpitts Sunset and its Investors had ownership interests in the proceeds of those loans.

396. Colpitts Sunset did not receive reasonably equivalent value in exchange for transferring the Short Term Loan and the Additional Loan to Invalus.

397. At the time of the transfer of the Short Term Loan and the Additional Loan to Invalus, Colpitts Sunset (a) was engaged or about to engage in a business for which its remaining assets and/or capital were unreasonably small in relation to the business;

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(b) intended to incur, or reasonably should have believed that it would incur, debts beyond its ability to pay as they became due; and/or (c) was insolvent or would be rendered insolvent by the transactions undertaken in connection with the Insider Releases.

398. As a result, the transfers of the Short Term Loan and the Additional Loan should be avoided pursuant to section 544 of the Bankruptcy Code and section 19.40.051(2) of the Washington Uniform Voidable Transactions Act.

399. Upon avoidance of transfers of the Short Term Loan and the Additional Loan, Plaintiffs are entitled to recover, under section 550(a) of the Bankruptcy Code, the value of the Short Term Loan and the Additional Loan from: (a) Invalus, as the initial transferee; or (b) Jim Christensen, as the person for whose benefit such transfers were made

PRAYER FOR RELIEF

WHEREFORE, by reason of the foregoing, Plaintiffs request that the court enter an order and judgment:

1. On the First Cause of Action, for damages in an amount to be determined at trial for the Christensens' fraud, plus punitive or exemplary damages in an amount to be determined at trial;

2. On the Second Cause of Action, for damages in an amount to be determined at trial for the Christensens' breaches of fiduciary duties, plus punitive or exemplary damages in an amount to be determined at trial;

3. On the Third Cause of Action, for damages in an amount to be determined at trial for Chris Christensen's conversion of the iCap Entities' funds, plus punitive or exemplary damages in an amount to be determined at trial;

4. On the Fourth Cause of Action, for damages in an amount to be determined at trial for Jim Christensen's conversion of the iCap Entities' funds, plus punitive or exemplary damages in an amount to be determined at trial;

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5. On the Fifth Cause of Action, for avoidance under 11 U.S.C. § 548(a)(1)(A) and recovery under 11 U.S.C. § 550(a) of the Chris Christensen Insider Transfers as actual fraudulent transfers;

6. On the Sixth Cause of Action, for avoidance under 11 U.S.C. § 548(a)(1)(B) and recovery under 11 U.S.C. § 550(a) of the Chris Christensen Insider Transfers as constructive fraudulent transfers;

7. On the Seventh Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.041(1)(a) and recovery under 11 U.S.C. § 550(a) of the Chris Christensen Insider Transfers as actual fraudulent transfers;

8. On the Eighth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.041(1)(b) and recovery under 11 U.S.C. § 550(a) of the Chris Christensen Insider Transfers as constructive fraudulent transfers;

9. On the Ninth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.051(1) and recovery under 11 U.S.C. § 550(a) of the Chris Christensen Insider Transfers as constructive fraudulent transfers;

10. On the Tenth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.051(2) and recovery under 11 U.S.C. § 550(a) of the Chris Christensen Insider Transfers as constructive fraudulent transfers;

11. On the Eleventh Cause of Action, for avoidance under 11 U.S.C. § 548(a)(1)(A) and recovery under 11 U.S.C. § 550(a) of the Jim Christensen Insider Transfers as actual fraudulent transfers;

12. On the Twelfth Cause of Action, for avoidance under 11 U.S.C. § 548(a)(1)(B) and recovery under 11 U.S.C. § 550(a) of the Jim Christensen Insider Transfers as constructive fraudulent transfers;

13. On the Thirteenth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.041(1)(a) and recovery under 11 U.S.C. § 550(a) of the Jim Christensen Insider Transfers as actual fraudulent transfers;

14. On the Fourteenth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.041(1)(b) and recovery under 11 U.S.C. § 550(a) of the Jim Christensen Insider Transfers as constructive fraudulent transfers;

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15. On the Fifteenth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.051(1) and recovery under 11 U.S.C. 550(a) of the Jim Christensen Insider Transfers as constructive fraudulent transfers;

16. On the Sixteenth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.051(2) and recovery under 11 U.S.C. § 550(a) of the Jim Christensen Insider Transfers as constructive fraudulent transfers;

17. On the Seventeenth Cause of Action, for avoidance under 11 U.S.C. § 548(a)(1)(A) and recovery under 11 U.S.C. § 550(a) of the Oceanaire Transfers as actual fraudulent transfers;

18. On the Eighteenth Cause of Action, for avoidance under 11 U.S.C. § 548(a)(1)(B) and recovery under 11 U.S.C. § 550(a) of the Oceanaire Transfers as constructive fraudulent transfers;

19. On the Nineteenth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.041(1)(a) and recovery under 11 U.S.C. § 550(a) of the Oceanaire Transfers as actual fraudulent transfers;

20. On the Twentieth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.041(1)(b) and recovery under 11 U.S.C. § 550(a) of the Oceanaire Transfers as constructive fraudulent transfers;

21. On the Twenty-First Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.051(1) and recovery under 11 U.S.C. § 550(a) of the Oceanaire Transfers as constructive fraudulent transfers;

22. On the Twenty-Second Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.051(2) and recovery under 11 U.S.C. § 550(a) of the Oceanaire Transfers as constructive fraudulent transfers;

23. On the Twenty-Third Cause of Action, for avoidance under 11 U.S.C. § 548(a)(1)(A) and recovery under 11 U.S.C. § 550(a) of the Sunset Terrace Transfer as an actual fraudulent transfer;

24. On the Twenty-Fourth Cause of Action, for avoidance under 11 U.S.C. § 548(a)(1)(B) and recovery under 11 U.S.C. § 550(a) of the Sunset Terrace Transfer as a constructive fraudulent transfer;

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25. On the Twenty-Fifth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.041(1)(a) and recovery under 11 U.S.C. § 550(a) of the Sunset Terrace Transfer as an actual fraudulent transfer;

26. On the Twenty-Sixth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.041(1)(b) and recovery under 11 U.S.C. § 550(a) of the Sunset Terrace Transfer as a constructive fraudulent transfer;

27. On the Twenty-Seventh Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.051(1) and recovery under 11 U.S.C. § 550(a) of the Sunset Terrace Transfer as a constructive fraudulent transfer;

28. On the Twenty-Eighth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.051(2) and recovery under 11 U.S.C. § 550(a) of the Sunset Terrace Transfer as a constructive fraudulent transfer;

29. On the Twenty-Ninth Cause of Action, for avoidance under 11 U.S.C. § 548(a)(1)(A) and recovery under 11 U.S.C. § 550(a) of the value of the Short Term Loan and the Additional Loan as actual fraudulent transfers;

30. On the Thirtieth Cause of Action, for avoidance under 11 U.S.C. § 548(a)(1)(B) and recovery under 11 U.S.C. § 550(a) of the value of the Short Term Loan and the Additional Loan as constructive fraudulent transfers;

31. On the Thirty-First Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.041(1)(a) and recovery under 11 U.S.C. § 550(a) of the value of the Short Term Loan and the Additional Loan as actual fraudulent transfers;

32. On the Thirty-Second Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.041(1)(b) and recovery under 11 U.S.C. § 550(a) of the value of the Short Term Loan and the Additional Loan as constructive fraudulent transfers;

33. On the Thirty-Third Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.051(1) and recovery under 11 U.S.C.

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§ 550(a) of the value of the Short Term Loan and the Additional Loan as constructive fraudulent transfers;

34. On the Thirty-Fourth Cause of Action, for avoidance under 11 U.S.C. § 544(b) and RCW § 19.40.051(2) and recovery under 11 U.S.C. § 550(a) of the value of the Short Term Loan and the Additional Loan as constructive fraudulent transfers;

35. For costs of suit incurred herein, including (without limitation) attorneys' fees to the extent permitted by law, and all recoverable costs to the extent permitted by law; and

36. Granting Plaintiffs such other and further relief as the court deems just and proper.

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DEMAND FOR JURY TRIAL

Plaintiffs hereby invoke their rights pursuant to the Seventh Amendment of the United States Constitution and the Washington State Constitution and demand a jury trial for all claims so triable.

DATED: September 26, 2025

BUSH KORNFELD LLP

/s/ Jason Edward Wax

JASON EDWARD WAX (WSBA #41944)
BUSH KORNFELD LLP

ALAN J. KORNFELD (admitted *Pro Hac Vice*)
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