

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 03-80612-CIV-ZLOCH

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SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MICHAEL LAUER,
LANCER MANAGEMENT GROUP, LLC, and
LANCER MANAGEMENT GROUP II, LLC,

Defendants,

JURY TRIAL DEMANDED

and

LANCER OFFSHORE, INC.,
LANCER PARTNERS, LP,
OMNIFUND, LTD.,
LSPV, INC., and
LSPV, LLC,

Relief Defendants.

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ANSWER

Michael Lauer, pro se, for his answer to the Complaint for Injunction and Other Relief, states:

1. Defendant denies each and every allegation contained in the Complaint for Injunction and Relief except as expressly admitted or otherwise specifically responded below.

<u>¶ of Complaint</u>	<u>Specific Response</u>
1 - 2	Denies.
3 - 10	Admits.
11	Denies.

- 12 Admits that the Court has personal jurisdiction over defendant Lauer and denies that venue is proper in the Southern District of Florida.
- 13 Denies.
- 14 Admits.
- 15 Denies, except refers to the Private Placement Memoranda issued for the funds from time to time which set forth investment strategy of the funds.
- 16 Admits, except avers that the incentive fee for the Omni fund is 25% of net profits.
- 17 Denies, except respectfully refers to the relevant documents for the valuations and holdings of the funds and for the financial information concerning the companies whose stock was in the fund's portfolio.
- 18 - 19 Denies, except admits that in the case of many of the securities owned by the funds values were equal to closing prices on the relevant dates and avers that with respect to some of the securities values were based upon independent valuations which valuations were further discounted.
- 20 Denies.
- 21 - 23 Denies.
- 24 Denies, except admits on information and belief that Lancer Management placed two orders for Fidelity First Stock on December 31, 2002 and denies knowledge or information as to how Fidelity First Stock was valued as of December 31, 2002.
- 25 Denies except admits on information and belief that the dates, orders, prices and volume alleged are accurate.
- 26 Denies, except denies knowledge or information sufficient to form a belief as to whether the

- purchases constituted 100% of the retail purchase to volume.
- 27 Denies.
- 28 Denies except admits the share ownership and the purchases alleged.
- 29 - 33 Denies.
- 34 Denies except admits that at the request of the auditors for Offshore Fund, management of certain portfolio companies obtained third-party valuations and provided those third-party valuations to the auditor.
- 35 Denies.
- 36 Denies, except refers to the PPMs for the representations made therein and denies knowledge or information as to whether a majority of the investments were on unlisted exchanges and admits the audited financial statements for year ended August 2001 for Lancer Partners were not completed by the auditors, and that at least one investor requested such financials.
- 37 Denies except refers to the PPM for the statements contained therein and the context.
- 38 Denies.
- 39 Denies, except refers to the newsletter for the actual statement made and the context; and denies knowledge or information sufficient to form a belief as to the percentage of Partners' portfolio value was represented by US Industries.
- 40 Admits that a September 2001 newsletter referred to DRS as "one of our portfolio companies", avers that DRS had been a portfolio company and denies knowledge or information as to whether DRS continued to be a portfolio company in 2001.
- 41 Admits that a May 2002 newsletter refers to

profit-taking with respect to companies referred to and avers on information and belief that stocks in these companies were owned by one or more of the funds.

42 Denies, except refers to the September 11, 2002 newsletter for the terms thereof, and admits that the newsletter did not disclose the information set forth in this paragraph concerning Bruce Cowen.

43 Denies, except refers to the September 2002 newsletter for the language thereof.

44 Denies, except refers to the January 13, 2003 newsletter for the complete statement and the context thereof, and avers that, as represented, the credit store had been written off to "nil".

45 Denies, except admits that the January 13, 2003 newsletter disclosed that "we did upgrade the funds Board of Directors in early 2002 to industry professionals rather than just the funds' administrators," and referred to the newsletter for the remaining biographical information.

46 Denies, except admits that Lauer is the founder of the Funds and Lancer Management; refers to the May 8, 2001 and January 5, 2003 PPMs for the contents thereof, and admits that Lauer periodically reviewed the Funds' trades.

47 Admits, except denies that shell companies were used to overvalue portfolios and denies that funding decisions were made to keep these shell companies from shutting down and avers that from time to time the Funds made convertible loans to companies.

48 - 65 Denies.

FIRST AFFIRMATIVE DEFENSE

Venue is improper in the Southern District of Florida.

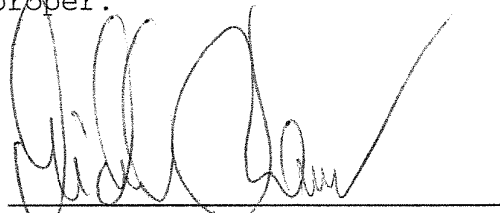
SECOND AFFIRMATIVE DEFENSE

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

THIRD AFFIRMATIVE DEFENSE

The alleged misstatements and omissions, to the extent that the allegedly induced owners to refrain from redeeming shares in the funds were not made in connection with the purchase or sale of securities, and the Court lacks subject matter jurisdiction over those claims.

Wherefore, defendant Michael Lauer demands judgment dismissing the Complaint and granting such other and further relief as to the Court may deem just and proper.



Michael Lauer
Defendant, pro se
7 Dwight Lane
Greenwich CT 06831

I hereby certify that a true and correct copy of the foregoing was furnished via Federal Express this 18th day of August, 2003 to Kerry Zinn, Esq., Securities & Exchange Commission, 801 Brickell Avenue, Suite 1800, Miami, Florida 33131 and also upon Craig V. Rasile, Esq., Hunton & Williams, LLP, 1111 Brickell Avenue, Suite 2500, Miami, Florida 33131-1802.