

**SPEARS & IMES LLP**

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*Attorneys for Defendant High Yield Fund I, a Series of Principal Funds, Inc.*

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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	:	
<i>In re:</i>	:	
	:	Chapter 11
MOTORS LIQUIDATION COMPANY, et al.,	:	Case No. 09-50026 (MG)
	:	(Jointly Administered)
Debtors.	:	
	:	
-----	X	
MOTORS LIQUIDATION COMPANY AVOIDANCE	:	
ACTION TRUST, by and through the Wilmington	:	Adversary Proceeding
Trust Company, solely in its capacity as Trust	:	No. 09-00504 (MG)
Administrator and Trustee,	:	
Plaintiff,	:	
	:	
-against-	:	
	:	
JPMORGAN CHASE BANK, N.A. <i>et al.</i> ,	:	
	:	
Defendants.	:	
-----	X	

**ANSWER OF HIGH YIELD FUND I, A SERIES OF PRINCIPAL FUNDS, INC.**

Defendant High Yield Fund I, a series of Principal Funds, Inc. (“**High Yield Fund I**”)  
(named in the Amended Complaint (defined below) as “Lehman Principal Investors Fund, Inc. –  
High Yield Fund”), by its undersigned attorneys, Spears & Imes LLP, hereby answers the First

Amended Adversary Complaint dated May 20, 2015 (the “**Amended Complaint**”) of Plaintiff Motors Liquidation Company Avoidance Action Trust (the “**AAT**” or “**Plaintiff**”)<sup>1</sup> as follows:

**AS TO THE ALLEGED JURISDICTION AND VENUE**

1. The allegations of paragraph 1 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 1 of the Amended Complaint.

2. The allegations of paragraph 2 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 2 of the Amended Complaint.

3. The allegations of paragraph 3 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 3 of the Amended Complaint. In accordance with Federal Rule of Bankruptcy Procedure 7012(b), to the extent that a response is required to the allegations of the second sentence of paragraph 3, High Yield Fund I admits that the claims for relief alleged in the Amended Complaint are statutorily “core” under 28 U.S.C. § 157(b).

4. The allegations of paragraph 4 of the Amended Complaint constitute representations of the AAT’s position regarding the Bankruptcy Court’s jurisdiction as to which

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<sup>1</sup> On March 18, 2011, the AAT succeeded to the avoidance action claims of the Official Committee of Unsecured Creditors of Motors Liquidation Company f/k/a General Motors Corporation (the “Committee”). All references herein to the AAT or Plaintiff also refer to and incorporate the Committee as predecessor to the AAT.

no response is required. To the extent a response is required, in accordance with Rule 7012-1 of the Local Bankruptcy Rules for the Southern District of New York, High Yield Fund I states that it does not consent to the entry of final orders or judgment by the Bankruptcy Court if it is determined that the Bankruptcy Court cannot enter a final judgment or order consistent with Article III of the United States Constitution; provided, however, High Yield Fund I reserves its right to consent at a later date.

5. The allegations of paragraph 5 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 5 of the Amended Complaint.

**AS TO THE ALLEGED PARTIES**

6. High Yield Fund I admits, on information and belief, that General Motors Corporation and certain of its subsidiaries (collectively, the “**Debtors**”) filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”) on June 1, 2009 (the “**Petition Date**”) in the United States Bankruptcy Court for the Southern District of New York (the “**Bankruptcy Court**”).

7. High Yield Fund I admits, on information and belief, the allegations of paragraph 7 of the Amended Complaint.

8. The allegations of paragraph 8 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 8 of the Amended Complaint and refers to the June 25, 2009 *Final Order Pursuant to Bankruptcy Code Sections 105(a), 361, 362, 363, 364 and 507 and Bankruptcy Rules 2002, 4001 and 6004 (A) Approving a DIP Credit Facility and Authorizing the*

*Debtors to Obtain Post-Petition Financing Pursuant Thereto, (B) Granting Related Liens and Super-Priority Status, (C) Authorizing the Use of Cash Collateral and (D) Granting Adequate Protection to Certain Pre-Petition Secured Parties* (the “**DIP Order**”) for the terms set forth therein. High Yield Fund I further states that the DIP Order is a written document that speaks for itself, and denies all allegations inconsistent therewith.

9. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 9 of the Amended Complaint.

10. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 10 of the Amended Complaint.

11. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 11 of the Amended Complaint.

12. The allegations of paragraph 12 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 12 of the Amended Complaint and refers to the Order of the Bankruptcy Court (the “**Confirmation Order**”) confirming the *Debtors’ Second Amended Joint Chapter 11 Plan* (the “**Plan**”) and to the Plan for the terms set forth therein. High Yield Fund I further states that the Confirmation Order and the Plan are written documents that speak for themselves, and denies all allegations inconsistent therewith.

13. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 13 of the Amended Complaint.

14. The allegations of paragraph 14 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield

Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 14 and refers to the DIP Order, the Confirmation Order, the Plan, and the Trust Agreement (as defined in the Amended Complaint) for the terms set forth therein. High Yield Fund I further states that the DIP Order, the Confirmation Order, the Plan, and the Trust Agreement are written documents that speak for themselves, and denies all allegations inconsistent therewith.

15. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of each of paragraphs 15 through 252 of the Amended Complaint.

253. The allegations of paragraph 253 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies the allegations of paragraph 253, except admits, on information and belief, that High Yield Fund I received funds under the Term Loan Agreement (as defined in the Amended Complaint).

254. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of each of paragraphs 254 through 568 of the Amended Complaint.

569. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 569 of the Amended Complaint and states that the last sentence of paragraph 569 contains legal conclusions as to which no response is required.

570. The allegations of paragraph 570 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 570 of the Amended Complaint.

**AS TO THE ALLEGED GENERAL ALLEGATIONS**

**As to the Alleged Term Loan Agreement**

571. High Yield Fund I denies knowledge or information sufficient to form a belief as to the allegations of paragraph 571 of the Amended Complaint and refers to the Term Loan Agreement for the terms set forth therein. High Yield Fund I further states that the Term Loan Agreement is a written document that speaks for itself, and denies all allegations inconsistent therewith.

572. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 572 of the Amended Complaint. Responding further, High Yield Fund I states that the Term Loan Agreement is a written document that speaks for itself, and denies all allegations inconsistent therewith.

573. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 573 of the Amended Complaint.

**As to the Alleged DIP Order**

574. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 574 of the Amended Complaint and refers to the motion the Debtors filed on the Petition Date (the “**DIP Motion**”) for the terms set forth therein. High Yield Fund I further states that the DIP Motion is a written document that speaks for itself, and denies all allegations inconsistent therewith.

575. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 575 of the Amended Complaint and refers to the DIP Motion for the terms set forth therein. High Yield Fund I further states that the DIP Motion is a written document that speaks for itself, and denies all allegations inconsistent therewith.

576. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 576 of the Amended Complaint.

577. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 577 of the Amended Complaint and refers to the DIP Order for the terms set forth therein. High Yield Fund I further states that the DIP Order is a written document that speaks for itself, and denies all allegations inconsistent therewith.

578. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 578 of the Amended Complaint.

579. The allegations of paragraph 579 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 579 and refers to the DIP Order for the terms set forth therein. High Yield Fund I further states that the DIP Order is a written document that speaks for itself, and denies all allegations inconsistent therewith.

**As to the Allegation That the Lien Securing the Term Loan Agreement  
Was Not Perfected as of the Petition Date**

580. High Yield Fund I denies the allegations of paragraph 580 of the Amended Complaint, except admits, on information and belief, that the AAT purportedly commenced this action to challenge a portion of the first-priority lien that secured the loan made under the Term Loan Agreement.

581. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 581 of the Amended Complaint and refers to the Term Loan UCC financing statements filed with the Delaware Secretary of State on November 30, 2006 in connection with the Term Loan Agreement (the “**Term Loan UCC Financing**

**Statements**”) for the terms set forth therein. High Yield Fund I further states that the Term Loan UCC Financing Statements are written documents that speak for themselves, and denies all allegations inconsistent therewith.

582. High Yield Fund I denies the allegations of paragraph 582 of the Amended Complaint and refers to the UCC-3 financing statement amendment filed with the Delaware Secretary of State on October 30, 2008 (the “**October 30, 2008 Amendment**”) for the terms set forth therein. High Yield Fund I further states that the October 30, 2008 Amendment is a written document that speaks for itself, and denies all allegations inconsistent therewith.

583. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of the first sentence of paragraph 583 of the Amended Complaint. The allegations of the second sentence of paragraph 583 constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies the allegations of the second sentence of paragraph 583 of the Amended Complaint.

584. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 584 of the Amended Complaint and refers to the March 1, 2013 decision, judgment, and order of this Court for the terms set forth therein. High Yield Fund I further states that the decision, judgment, and order are written documents that speak for themselves, and denies all allegations inconsistent therewith.

585. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 585 of the Amended Complaint and refers to the January 21, 2015 decision of the United States Court of Appeals for the Second Circuit for the terms set forth therein. High Yield Fund I further states that the January 21, 2015 decision of the



United States Court of Appeals for the Second Circuit is a written document that speaks for itself, and denies all allegations inconsistent therewith.

**AS TO THE ALLEGED  
FIRST CLAIM FOR RELIEF**

586. High Yield Fund I repeats its responses to paragraphs 1 through 585 of the Amended Complaint with the same force and effect as if fully set forth herein.

587. The allegations of paragraph 587 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 587 of the Amended Complaint.

588. The allegations of paragraph 588 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies the allegations of paragraph 588 of the Amended Complaint.

589. The allegations of paragraph 589 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies the allegations of paragraph 589 of the Amended Complaint.

**AS TO THE ALLEGED  
SECOND CLAIM FOR RELIEF**

590. High Yield Fund I repeats its responses to paragraphs 1 through 589 of the Amended Complaint with the same force and effect as if fully set forth herein.

591. High Yield Fund I denies the allegations of paragraph 591 of the Amended Complaint.

592. The allegations of paragraph 592 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield

Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 592 of the Amended Complaint.

593. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 593 of the Amended Complaint and refers to the DIP Order for the terms set forth therein. High Yield Fund I further states that the DIP Order is a written document that speaks for itself, and denies all allegations inconsistent therewith.

594. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 594 of the Amended Complaint.

595. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 595 of the Amended Complaint.

596. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 596 of the Amended Complaint.

597. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 597 of the Amended Complaint and refers to the DIP Order for the terms set forth therein. High Yield Fund I further states that the DIP Order is a written document that speaks for itself, and denies all allegations inconsistent therewith.

598. High Yield Fund I denies the allegations of paragraph 598 of the Amended Complaint.

599. High Yield Fund I denies the allegations of paragraph 599 of the Amended Complaint.

600. High Yield Fund I denies the allegations of paragraph 600 of the Amended Complaint.

601. High Yield Fund I denies the allegations of paragraph 601 of the Amended Complaint, except denies knowledge or information sufficient to form a belief as to the truth of whether some portion of the collateral was secured and perfected by filings other than the Financing Statement (as defined in the Amended Complaint).

602. The allegations of paragraph 602 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 602 of the Amended Complaint.

603. High Yield Fund I denies the allegations of paragraph 603 of the Amended Complaint.

**AS TO THE ALLEGED  
THIRD CLAIM FOR RELIEF**

604. High Yield Fund I repeats its responses to paragraphs 1 through 603 of the Amended Complaint with the same force and effect as if fully set forth herein.

605. High Yield Fund I denies the allegations of paragraph 605 of the Amended Complaint.

606. High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 606 of the Amended Complaint.

607. The allegations of paragraph 607 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 607 of the Amended Complaint.

608. The allegations of paragraph 608 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield

Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 608 of the Amended Complaint.

609. The allegations of paragraph 609 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 609 of the Amended Complaint.

610. The allegations of paragraph 610 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 610 of the Amended Complaint.

611. The allegations of paragraph 611 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 611 of the Amended Complaint.

612. High Yield Fund I denies the allegations of paragraph 612 of the Amended Complaint.

613. High Yield Fund I denies the allegations of paragraph 613 of the Amended Complaint.

614. The allegations of paragraph 614 of the Amended Complaint constitute legal conclusions as to which no response is required. To the extent a response is required, High Yield Fund I denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 614 of the Amended Complaint.

615. High Yield Fund I denies the allegations of paragraph 615 of the Amended Complaint.

**AS TO THE ALLEGED  
FOURTH CLAIM FOR RELIEF**

616. High Yield Fund I repeats its responses to paragraphs 1 through 615 of the Amended Complaint with the same force and effect as if fully set forth herein.

617. High Yield Fund I denies the allegations of paragraph 617 of the Amended Complaint.

618. High Yield Fund I denies the allegations of paragraph 618 of the Amended Complaint.

High Yield Fund I further denies and objects to each of the Plaintiff's "prays for judgment" numbered 1 through 8 and set forth on pages 77 and 78 of the Amended Complaint.

**AFFIRMATIVE DEFENSES**

In alleging the following further defenses to Plaintiff's claims, High Yield Fund I does not concede that the assertion of such defenses imposes any burden of proof or persuasion on it with respect thereto, nor does High Yield Fund I assume any burden of proof, persuasion, or production not otherwise legally assigned to it. Further, High Yield Fund I reserves the right to amend its answer and raise any additional defenses, counterclaims, cross-claims, and third-party claims not asserted herein to the extent that its ongoing investigation and/or discovery so warrant. Presently, High Yield Fund I asserts that the claims in the Amended Complaint are barred, wholly or partially, because:

**FIRST DEFENSE**

The Amended Complaint fails to state a claim against High Yield Fund I upon which relief may be granted.

**SECOND DEFENSE**

The claims asserted against High Yield Fund I in the Amended Complaint are barred by the doctrines of laches and equitable estoppel.

**THIRD DEFENSE**

The claims asserted against High Yield Fund I in the Amended Complaint are barred, in whole or in part, by the applicable statutes of limitations.

**FOURTH DEFENSE**

High Yield Fund I was not served with the summons and complaint within the period of time prescribed by law, and the claims should therefore be dismissed for failure to properly serve High Yield Fund I.

**FIFTH DEFENSE**

The October 30, 2008 Amendment was filed without authority and is therefore ineffective.

**SIXTH DEFENSE**

The October 30, 2008 Amendment is void and ineffective because JPMorgan Chase Bank, N.A. did not authorize its filing.

**SEVENTH DEFENSE**

The unauthorized filing of the October 30, 2008 Amendment did not waive High Yield Fund I's security interest in certain assets of the Debtors pursuant to the Term Loan Agreement and the Term Loan UCC Financing Statements.

### **EIGHTH DEFENSE**

High Yield Fund I was a secured party and had a perfected security interest on the Petition Date in certain assets of the Debtors pursuant to the Term Loan Agreement as set forth in multiple UCC-1 financing statements filed throughout the United States, including, but not limited to the UCC-1 financing statement numbered 6416822 3 and filed on November 30, 2006 with the Secretary of State of Delaware listing Saturn Corporation as the “debtor,” as well as multiple state fixture filings.

### **NINTH DEFENSE**

At the time any of the purported transfers referenced in the Amended Complaint were allegedly made by the Debtors, High Yield Fund I was a perfected secured creditor, thereby excepting all of the alleged transfers from avoidance as preferential transfers pursuant to Bankruptcy Code section 547(b)(5).

### **TENTH DEFENSE**

Pursuant to Bankruptcy Code section 547(c)(2), the alleged transfers sought from High Yield Fund I in the Amended Complaint were (a) in payment of a debt incurred by the Debtors in the ordinary course of business or financial affairs of the Debtors and High Yield Fund I; (b) made in the ordinary course of business or financial affairs of the Debtors and High Yield Fund I; and (c) made according to ordinary business terms.

### **ELEVENTH DEFENSE**

The claims asserted against High Yield Fund I in the Amended Complaint to avoid transfers under section 549 of the Bankruptcy Code are barred insofar as such transfers were not property of the estate.

**TWELFTH DEFENSE**

The claims asserted against High Yield Fund I in the Amended Complaint are barred to the extent that High Yield Fund I is not a transferee from which the Trust may recover the value of an avoided transfer under section 550(b) of the Bankruptcy Code.

**THIRTEENTH DEFENSE**

The First and Third Claims for Relief, and the Fourth Claim for Relief inasmuch as it seeks disallowance in connection with the First and Third Claims for Relief, are barred by section 546(e) of the Bankruptcy Code.

**FOURTEENTH DEFENSE**

The claims asserted against High Yield Fund I in the Amended Complaint are barred to the extent that High Yield Fund I was a mere conduit with respect to any of the alleged transfers.

**FIFTEENTH DEFENSE**

The claims asserted in the Amended Complaint against High Yield Fund I are barred by the doctrines of *in pari delicto*, unclean hands, and/or the *Wagoner* Rule.

**SIXTEENTH DEFENSE**

The claims asserted in the Amended Complaint are barred, in whole or in part, by the single satisfaction rule set forth in section 550(d) of the Bankruptcy Code.

**SEVENTEENTH DEFENSE**

The AAT is estopped from bringing the claims asserted in the Amended Complaint against High Yield Fund I.



**EIGHTEENTH DEFENSE**

The claims asserted against High Yield Fund I in the Amended Complaint are barred by the doctrine of mistake, which requires reinstatement of the erroneously discharged security interest.

**NINETEENTH DEFENSE**

The claims asserted in the Amended Complaint are barred to the extent that High Yield Fund I did not receive a transfer made under the Term Loan Agreement on May 27, 2009.

**TWENTIETH DEFENSE**

The claims asserted in the Amended Complaint are barred to the extent that High Yield Fund I did not receive a transfer made under the Term Loan Agreement on June 30, 2009.

**TWENTY-FIRST DEFENSE**

The AAT is estopped from alleging that the security interest of JPMorgan Chase Bank, N.A., as Administrative Agent, was terminated or, in the alternative, the Bankruptcy Court should find that the Debtors held the collateral under the Term Loan Agreement pursuant to a constructive trust.

**TWENTY-SECOND DEFENSE**

The AAT lacks standing and authority to bring the claims alleged, and the claims did not survive the confirmation of the Debtors' Chapter 11 plan.

**TWENTY-THIRD DEFENSE**

The claims asserted against High Yield Fund I in the Amended Complaint are barred by the doctrines of recoupment and/or set-off.

**TWENTY-FOURTH DEFENSE**

Any injury or damages to the AAT should be reduced to the extent that the culpable conduct of others caused or contributed to any damages or injury that the AAT may have sustained.

**TWENTY-FIFTH DEFENSE**

The claims asserted against High Yield Fund I in the Amended Complaint are barred by the doctrine of earmarking.

**TWENTY-SIXTH DEFENSE**

Pursuant to the Term Loan Agreement, the Debtors agreed to hold harmless and indemnify each Term Loan Lender (as defined in the Amended Complaint) to the full extent of any losses, expenses, claims, or proceedings related to or arising out of the Term Loan Agreement. High Yield Fund I hereby invokes all of its contractual and common law indemnity rights, and hereby provides notice to the AAT and the Debtors thereof.

**TWENTY-SEVENTH DEFENSE**

High Yield Fund I hereby asserts all defenses available under federal law and under any applicable state law. Additional facts may be revealed in discovery or otherwise that support additional defenses presently available, but unknown, to High Yield Fund I. High Yield Fund I therefore reserves its right to assert additional defenses in the event discovery or investigation reveals additional defenses or such additional defenses become apparent at trial.

**TWENTY-EIGHTH DEFENSE**

High Yield Fund I hereby adopts and incorporates by reference any and all other defenses asserted or to be asserted by any other defendants named in the Amended Complaint to the extent that such defenses are available to High Yield Fund I.

WHEREFORE, High Yield Fund I respectfully requests that judgment be entered in its favor as follows:

- A. Dismissing with prejudice Plaintiff's Amended Complaint in its entirety and on the merits;
- B. Awarding High Yield Fund I its costs of defending this action, including reasonable attorneys' fees, costs, and disbursements; and
- C. Awarding to High Yield Fund I such other and further relief as this Court may deem just and proper.

Dated: New York, New York  
July 27, 2016

Respectfully submitted,

By: /s/ Joanna C. Hendon  
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*Attorneys for Defendant High Yield Fund I, a Series of Principal Funds, Inc.*

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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<i>In re:</i>	:
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MOTORS LIQUIDATION COMPANY, et al.,	: Chapter 11
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Debtors.	: Case No. 09-50026 (MG)
	: (Jointly Administered)
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MOTORS LIQUIDATION COMPANY AVOIDANCE	:
ACTION TRUST, by and through the Wilmington	:
Trust Company, solely in its capacity as Trust	: Adversary Proceeding
Administrator and Trustee,	: No. 09-00504 (MG)
	:
Plaintiff,	:
	:
-against-	:
	:
JPMORGAN CHASE BANK, N.A. <i>et al.</i> ,	:
	:
Defendants.	:
-----	X

**CERTIFICATE OF SERVICE**

I certify that on July 27, 2016, I caused to be served a true and correct copy of the Answer of High Yield Fund I, a series of Principal Funds, Inc., via electronic mail using the Case Management/Electronic Case Filing System for the United States Bankruptcy Court for the

Southern District of New York (the “CM/ECF System”) upon registered users of the CM/ECF  
System.

Dated: New York, New York  
July 27, 2016

Respectfully submitted,

By: /s/ Joanna C. Hendon  
Joanna C. Hendon (jhendon@spearsimes.com)  
Alicia K. Amdur (aamdur@spearsimes.com)  
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*Attorneys for Defendant High Yield Fund I, a series  
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