

**IN THE UNITED STATES COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
GAINESVILLE DIVISION**

**J.O.R. and R.R. and D.M. and R.B.,:
individually and on behalf of others :
similarly situated, :**

Plaintiffs, :

**HIDDEN LAKE ACADEMY, :
INC., HLA, INC., :
HIDDEN LAKE FOUNDATION, :
INC., and DR. LEONARD :
BUCCELLATO, :**

Defendants. :

**Civil Action File No.
2:06-CV-0146-WCO**

Answer and Counterclaim

**HLA, INC.'S ANSWER, DEFENSES AND COUNTERCLAIM
TO PLAINTIFFS' CLASS ACTION COMPLAINT**

Defendant HLA, Inc. ("HLA"), by and through undersigned counsel, submits its Answer, Defenses, and Counterclaim to the Class Action Complaint (the "Complaint") filed by Plaintiffs, J.O.R. and R.R. and D.M. and R.B. (collectively, "Plaintiffs").

INTRODUCTION

HLA makes this Introduction to address certain allegations in Plaintiffs' Complaint. Based on HLA's initial investigation in the Complaint, which

investigation continues, it is HLA's position that Plaintiffs' Complaint is completely without merit. Plaintiffs' Complaint should be dismissed in its entirety and the request for class certification should be denied.

HLA is a therapeutic boarding school located in Dahlonega, Georgia, which focuses on children aged 12-18 who exhibit oppositional-defiant behavior and addictive, compulsive, and other self-destructive behaviors. HLA provides a caring and supporting environment through a comprehensive program of 17-21 months that blends therapy, counseling, and education.

HLA vigorously denies that it has committed any of the misconduct alleged in the Complaint. All of Plaintiffs' most inflammatory allegations are groundless:

- HLA has never, to its knowledge, enrolled "violent" or "severely disturbed" students (§ 5).
- HLA fully discloses to current and prospective students and their parents its policy of searching students to ensure campus safety (§ 5).
- It is standard practice in the education industry for schools to pay the traveling expenses of educational consultants and, on occasion, their family members, and there is nothing "ethically questionable" about such practices (§§ 10, 54).

- HLA discloses to students and their parents in the enrollment process that it monitors students' communications with others to ensure that students are honest and respectful in their communications (§ 31).
- Plaintiffs allege that the "overwhelming majority" of the teachers on HLA's staff have not been state-certified, but the fact is HLA's teachers have fully complied with the requirements established by the Southern Association of Colleges and Schools and the Georgia Accrediting Commission (§§ 4, 39).
- Plaintiffs' allegations that Dr. Buccellato has referred numerous students to HLA because of "personal economic incentives" (§ 48) are false; in fact, Dr. Buccellato has referred only six students to HLA since January 2000.
- Many of Plaintiffs' most inflammatory allegations derive from an email from HLA's former admissions director, Clarke Poole, who opines on what he believes is the impropriety of the admissions of certain students (§ 48). Mr. Poole, however, has no qualifications to render any medical or psychological judgments on the students HLA has admitted and provides no basis for his unsupported belief that one unidentified student was another "Hannibal Lecter."

- Plaintiffs allege several suicide attempts in recent months and acts of violence by students on other students (§§ 49-50). Those allegations are false.
- Contrary to Plaintiffs' allegations, HLA does not represent Clay Erickson as a "properly licensed physician" (§ 59). Mr. Erickson has neither practiced medicine since he came to HLA nor advised parents or students that he is a properly licensed physician.
- Hidden Lake has never paid Dr. Buccellato's personal taxes (§ 76), nor does Dr. Buccellato bill an "overwhelming majority . . . of his personal expenses" to HLA (§§ 78, 79).

In summary, HLA will ask the Court to dismiss Plaintiffs' Complaint in its entirety and to dismiss the allegations that the case can proceed as a class action. HLA's responses to the specific numbered paragraphs of the Complaint are set forth below, along with its defenses to the Complaint.

ANSWER

HLA states that it is responding to Plaintiffs' Complaint on behalf of itself only, even where Plaintiffs' allegations refer to parties other than, or in addition to, HLA. HLA objects to Plaintiffs' purported definition of "HLA" in the opening,

unnumbered paragraph of the Complaint. Such definition is neither accurate nor justified.

HLA denies all allegations in the headings and unnumbered paragraphs in the Complaint. In response to the individually numbered paragraphs in the Complaint, HLA shows as follows:

1. HLA denies the allegations in paragraph 1.
2. HLA admits that it is a therapeutic boarding school geared primarily to students between the ages of 12 and 18 who exhibit oppositional-defiant behavior and addictive, compulsive, and other self-destructive behaviors, and further states that it strives to provide a caring and supportive environment through a comprehensive 17-21 month program blending therapy, counseling, and education. HLA also admits that its tuition rate currently is \$5,950 per month. HLA denies the remaining allegations in paragraph 2.

3. HLA admits that certain statements are made in HLA's Handbook, on its website, and in other documents and states that any such statements speak for themselves. To the extent that Plaintiffs' characterization of or quotations from the referenced sources are inconsistent with the actual sources in their entirety, such allegations are denied. HLA also admits that it provides a nurturing and safe environment that differs from typical urban or suburban school settings and that is

commensurate with the tuition charged. HLA denies the remaining allegations in paragraph 3.

4. HLA denies the allegations in paragraph 4. Further answering the allegations in paragraph 4, HLA states that throughout the time period encompassed by the Complaint, its teachers have fully complied with the requirements set forth by the Southern Association of Colleges and Schools (“SACS”) and the Georgia Accrediting Commission (“GAC”). HLA further states that it distributes all medication to students in a proper manner. HLA further states that one consequence of rule violations by HLA students is being required to assist with outdoor work on the campus grounds and that such information is fully disclosed in the school’s Handbook and is an appropriate consequence when a student fails to comply with HLA’s rules and regulations.

5. HLA denies the allegations in the first sentence in paragraph 5. Further answering the allegations in the first sentence in paragraph 5, HLA states that it has never intentionally enrolled any “violent” or “severely disturbed” students, as these are not the types of students that HLA serves. HLA denies the allegations in the second sentence in paragraph 5. Further, HLA states that the email referenced in paragraph 5 speaks for itself and denies any allegations in paragraph 5 that are inconsistent herewith. HLA denies the allegations in the final

sentence in paragraph 5. Further answering the allegations in the final sentence in paragraph 5, HLA states that it fully communicated and disclosed to the current and prospective students and their families that student searches are performed in order to ensure campus safety. HLA denies that such searches were instituted “because of the violent and anti-social behavior of some of the students that Hidden Lake accepts.” HLA denies the remaining allegations in paragraph 5.

6. HLA denies the allegations in paragraph 6. Further answering the allegations in paragraph 6, HLA states that all charges HLA assesses to prospective and current students and their parents are disclosed and reasonable.

7. HLA is without information sufficient to form a belief as to the truth of the allegations in the third sentence in paragraph 7 because the Complaint does not specify the student to which the purported incident allegedly occurred. HLA denies the remaining allegations in paragraph 7.

8. HLA denies the allegations in the first, second, third, and fourth sentences in paragraph 8. HLA admits that it pays money to Ridge Creek, Inc., a for-profit corporation founded by Dr. Len Buccellato and located adjacent to HLA, whose property is mostly owned by HLA. Further answering the allegations in paragraph 8, HLA states that the payments to Ridge Creek, Inc., a therapeutic

wilderness leadership program, are for services provided to HLA students by the program. HLA denies the remaining allegations in paragraph 8.

9. HLA admits the allegations in the second sentence in paragraph 9. HLA denies the remaining allegations in paragraph 9. Further answering the allegations in paragraph 9, HLA states that Dr. Buccellato has never signed a document on Mr. Spooner's behalf without Mr. Spooner's full consent and agreement.

10. HLA admits the allegations in the second sentence of paragraph 10. Further answering the allegations in paragraph 10, HLA states that, consistent with standard practices in the industry, the traveling expenses of educational consultants, and at times, consultants' family members, are paid for by HLA when the consultants visit the Atlanta area. Further, HLA states that Dr. Buccellato and others at HLA arrange to meet with visiting consultants, and, consistent with standard practices in the industry, HLA pays for the consultants' traveling and incidental expenses. HLA denies the remaining allegations in paragraph 10.

11. HLA admits that Plaintiffs purport to allege certain claims, seek certain relief, and seek to certify a class generally described in paragraph 11, but HLA denies that Plaintiffs state any viable claims against HLA or that Plaintiffs

are entitled to any of the requested relief, including class certification. HLA denies the remaining allegations in paragraph 11.

12. HLA admits that this Court has subject matter jurisdiction under the Class Action Fairness Act of 2005, but denies that Plaintiffs are entitled to class certification or any other relief from HLA.

13. HLA admits that venue is proper in this Court, but denies that HLA committed any “misconduct” as alleged in paragraph 13.

14. Upon information and belief, HLA admits the allegations in subparagraphs (a) and (b) of paragraph 14. HLA denies the allegations in subparagraph (c) of paragraph 14.

15. HLA admits the allegations in paragraph 15.

16. HLA admits the allegations in paragraph 16.

17. HLA admits the allegations in the second sentence of paragraph 17. HLA denies the remaining allegations in paragraph 17, and for further answer states that Hidden Lake Foundation, Inc. is a 509(a)(3) supporting organization.

18. HLA admits the allegations in paragraph 18.

19. HLA admits that Plaintiffs are seeking class certification pursuant to Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure and that Plaintiffs

purport to define the putative class in paragraph 19. HLA denies that Plaintiffs are entitled to class certification.

20. HLA denies that this case is appropriate for class treatment and, therefore, denies the allegations in paragraph 20.

21. HLA denies that common questions of law and fact predominate in this action and, therefore, denies the allegations in paragraph 21, including all subparagraphs.

22. HLA denies that this case is appropriate for class treatment and, therefore, denies the allegations in paragraph 22.

23. HLA denies the allegations in paragraph 23.

24. HLA denies the allegations in paragraph 24, including all subparagraphs.

25. HLA admits the allegations in paragraph 25.

26. HLA admits the allegations in the fourth sentence in paragraph 26. Further answering the allegations in paragraph 26, HLA states that in 2004, Hidden Lake Academy, Inc. received approximately \$1.3 million from HLA, Inc., most or all of which was used to pay the salaries of its employees. HLA denies the remaining allegations in paragraph 26, and for further answer shows that Hidden Lake Foundation, Inc. is a 509(a)(3) supporting organization.

27. HLA denies the allegations in paragraph 27. Further answering the allegations in paragraph 27, HLA states that Dr. Buccellato has never signed a document on Mr. Spooner's behalf without Mr. Spooner's full consent and agreement.

28. HLA states that the Hidden Lake website referenced in paragraph 28 speaks for itself and denies any allegations in paragraph 28 inconsistent therewith. HLA denies the remaining allegations in paragraph 28.

29. HLA admits the allegations in the second and third sentences in paragraph 29. HLA denies the remaining allegations in paragraph 29 and specifically denies that students face "punishments" for failing to abide by HLA's rules.

30. HLA admits the allegations in the final sentence in paragraph 30. HLA denies that students face "punishments" for failing to abide by HLA's rules and, therefore, denies the remaining allegations in paragraph 30.

31. HLA admits that it monitors students and their communications with others, and further states that this practice is fully disclosed to parents and students during the enrollment process. HLA further states that the sole purpose of monitoring is to ensure that students are honest and respectful in their communications. HLA admits the allegations in the second and third sentences of

paragraph 31, and further states that students have an opportunity to earn additional phone calls and additional time for phone conversations during their time at HLA. HLA denies the remaining allegations in paragraph 31.

32. HLA admits that it is not regulated as a mental health facility or a therapeutic residential child care program by the Georgia Department of Human Resources (“DHR”). HLA states that because HLA’s primary purpose is education and providing a learning experience that addresses the development of the whole child, it maintains an exemption from DHR licensing. HLA further states that it is accredited by both the SACS and the GAC as a traditional school, rather than a special needs school, and HLA has always fully complied with the requirements set forth by these associations. HLA is without knowledge or information sufficient to form a belief as to the truth of the allegations in the final two sentences in paragraph 32 and, therefore, denies those allegations. HLA denies the remaining allegations in paragraph 32.

33. HLA admits that parents and other caregivers must sign a contract to enroll their children at HLA. HLA states that the enrollment contract speaks for itself, including the provisions Plaintiffs purport to quote in paragraph 33. HLA denies the remaining allegations in paragraph 33.

34. HLA states that the provisions of the enrollment contract Plaintiffs purport to quote in paragraph 34 speak for themselves. HLA denies the remaining allegations in paragraph 34.

35. HLA admits the allegations in paragraph 35.

36. HLA admits the allegations in the second sentence in paragraph 36. HLA further admits that parents are given a Handbook prior to their child's enrollment at HLA. HLA denies that the referenced Handbook sets forth all of HLA's "rules, regulations and academic requirements," and further states that the Handbook provides a broad overview of the HLA program and mission. HLA denies the remaining allegations in paragraph 36.

37. HLA admits that statements are made in HLA's Handbook, website, and other documents and shows that the statements in those documents speak for themselves. To the extent that Plaintiffs' characterization of or quotations from the referenced sources are inconsistent with the actual sources in their entirety, such allegations are denied. HLA denies the remaining allegations in paragraph 37, including all subparagraphs.

38. HLA denies the allegations in paragraph 38.

39. HLA denies the allegations in paragraph 39. Further answering the allegations in paragraph 39, HLA states that throughout the relevant timeframe

encompassed by the Complaint, its teachers have fully complied with the requirements set forth by the SACS and the GAC.

40. HLA denies that it “failed during the Class Period to employ consistently certified teachers” and, therefore, denies the allegations in paragraph 40.

41. HLA denies the allegations in paragraph 41.

42. HLA admits that some of its teachers apply for provisional licenses with the state of Georgia. Further answering the allegations in paragraph 42, HLA states that, despite the fact that its teachers are not required to be state-certified, each teacher is contractually obligated to pursue state certification if the teacher is not already certified at the time of employment. HLA further states that throughout the relevant timeframe encompassed by the Complaint, its teachers have fully complied with the requirements set forth by the SACS and the GAC. HLA denies the remaining allegations in paragraph 42.

43. HLA denies the allegations in paragraph 43.

44. HLA admits that it offers an all-encompassing therapeutic program, the bulwark of which occurs in intimate peer group counseling sessions that are led by counselors who are clinically trained and hold a master’s degree or higher. HLA denies the remaining allegations in paragraph 44.

45. HLA admits that the credentials of its personnel are important to its mission of providing a learning experience that addresses the development of the whole child. HLA denies the remaining allegations in paragraph 45.

46. HLA denies the allegations in paragraph 46 and specifically denies that it “routinely accepts” violent students.

47. HLA states that the February 24, 2006 email speaks for itself, and to the extent that Plaintiffs’ characterization of or quotations from the referenced email are inconsistent with the actual email, considered in its entirety, such allegations are denied. HLA denies the remaining allegations in paragraph 47.

48. HLA admits that for over twenty years, Dr. Buccellato has maintained a business as an educational consultant. Further answering the allegations in paragraph 48, HLA states that in the past six years, Dr. Buccellato has referred only six students to HLA. HLA states that the February 24, 2006 email purportedly quoted in paragraph 48 speaks for itself, and to the extent that Plaintiffs’ characterization of or quotations from the referenced email are inconsistent with the actual email, considered in its entirety, such allegations are denied. HLA further states that the author of the referenced email, Clarke Poole, has no psychological training and is thus not qualified to make any medical judgments. HLA denies the remaining allegations in paragraph 48 and specifically

denies that Dr. Buccellato referred a student with the psychological profile of “Hannibal Lecter” to HLA.

49. HLA denies the allegations set forth in paragraph 49.

50. HLA denies the allegations set forth in paragraph 50.

51. HLA admits that it has initiated a policy of searching students as a safety measure, but denies that this practice was instituted “[i]n an effort to ameliorate at least some aspects of the violent and anti-social behavior of many of its students.” Further answering the allegations in paragraph 51, HLA states that it fully communicates and discloses to parents that searches are performed in order to ensure campus safety. HLA also states that Plaintiffs’ allegations are self-contradictory in nature, as they complain of allegedly violent actions yet also protest HLA’s efforts to curb violence. HLA denies the remaining allegations in paragraph 51.

52. HLA states that the email referenced in paragraph 52 speaks for itself, and to the extent that Plaintiffs’ characterization of the email is inconsistent with the actual email, the allegations are denied. HLA denies the remaining allegations in paragraph 52.

53. HLA denies the allegations in paragraph 53.

54. HLA admits the allegations in the second, fifth, and sixth sentences of paragraph 54. Further answering the allegations in paragraph 54, HLA states that, consistent with standard practices in the industry, the traveling expenses of educational consultants, and at times, consultants' family members, are paid for by HLA when the consultants visit the Atlanta area. Further, HLA states that Dr. Buccellato and others at HLA arrange to meet with visiting consultants, and, consistent with standard practices in the industry, HLA pays for the consultants' traveling and incidental expenses. HLA denies the remaining allegations in paragraph 54.

55. HLA denies the allegations in paragraph 55.

56. HLA states that the referenced Handbook speaks for itself, and to the extent that Plaintiffs' characterization of or quotations from the referenced Handbook are inconsistent with the actual Handbook, considered in its entirety, such allegations are denied. HLA denies the remaining allegations in paragraph 56, and for further answer states that a nurse is always available to students and HLA staff members, both on-site and on-call.

57. HLA states that the referenced Handbook speaks for itself, and to the extent that Plaintiffs' characterization of or quotations from the referenced Handbook are inconsistent with the actual Handbook, considered in its entirety,

such allegations are denied. Further answering the allegations in paragraph 57, HLA states that it does not hold itself out as a psychiatric boarding school and thus does not employ an on-campus psychiatrist; any psychiatrist that treats HLA students is employed as an independent contractor and bills the students directly for such treatment. HLA denies the remaining allegations in paragraph 57.

58. HLA denies the allegations in paragraph 58 and states that it has consistently employed qualified individuals to distribute medication to its students.

59. HLA states that the allegations in the third, fourth, fifth, and sixth sentences in paragraph 59 do not pertain to alleged conduct by HLA and, therefore, do not require a response by HLA. HLA denies the remaining allegations in paragraph 59. Further answering the allegations in paragraph 59, HLA states that Clay Erickson has neither practiced medicine during his tenure at HLA nor intentionally advised parents or students that he is a properly licensed physician.

60. HLA denies the allegations in paragraph 60. Further answering the allegations in paragraph 60, HLA states that all charges assessed to students are reasonable and disclosed to parents.

61. HLA denies the allegations in paragraph 61 of the Complaint. Further answering the allegations in paragraph 61, HLA states that all charges assessed to students are reasonable and disclosed to parents.

62. HLA denies the allegations in paragraph 62. Further answering the allegations in paragraph 62, HLA states that toiletries are purchased through HLA for safety reasons and for convenience to parents.

63. HLA denies the allegations in paragraph 63.

64. HLA denies the allegations in paragraph 64.

65. HLA denies the allegations in paragraph 65. Further answering the allegations in paragraph 65, HLA states that the fees referenced in paragraph 65 are reasonable and are imposed for various reasons, including staff time away from the school grounds, fuel and other transportation costs associated with transporting a student to the Atlanta area from Dahlonega, and time spent waiting for the physician.

66. HLA denies the allegations in paragraph 66.

67. HLA denies the allegations in paragraph 67.

68. HLA denies the allegations in paragraph 68. Further answering the allegations in paragraph 68, HLA states that all charges assessed to students are disclosed and are reasonable.

69. HLA denies the allegations in paragraph 69.

70. HLA denies the allegations in paragraph 70.

71. HLA denies the allegations in paragraph 71.

72. HLA denies the allegations in paragraph 72.

73. HLA admits the allegations in paragraph 73, and for further answer states that in 2004, HLA, Inc. paid Hidden Lake Academy, Inc. approximately \$1.3 million, most or all of which was used to pay the salaries of its employees. Further answering the allegations in paragraph 73, HLA states that in 2004, HLA, Inc. paid Ridge Creek approximately \$500,000 for services provided to HLA students through Ridge Creek's therapeutic wilderness leadership program.

74. HLA denies that Dr. Buccellato has "control" over the entities referenced in paragraph 74 and, therefore, denies the allegations in paragraph 74.

75. HLA denies the allegations in paragraph 75.

76. HLA denies the allegations in paragraph 76.

77. HLA denies the allegations in paragraph 77.

78. HLA denies the allegations in paragraph 78.

79. HLA denies the allegations in paragraph 79.

80. HLA denies the allegations in paragraph 80.

81. HLA denies the allegations in paragraph 81.

82. HLA denies the allegations in paragraph 82.

83. HLA admits that HLA maintenance staff, paid separately and independently by Dr. Buccellato, has performed certain repair work on properties owned by Dr. Buccellato, including a house he owned for rental purposes and the house of his then-recently deceased aunt. Further answering the allegations in paragraph 83, HLA states that HLA maintenance staff performed repair work on 28 acres owned by Dr. Buccellato, a property on which a current maintenance employee lives rent-free. HLA states that it is without knowledge as to whether the referenced memorandum from Dr. Buccellato exists, but if it does exist, the referenced memorandum speaks for itself, and to the extent that Plaintiffs' characterization of or quotations from the referenced memorandum are inconsistent with the actual memorandum, considered in its entirety, such allegations are denied. HLA denies the remaining allegations in paragraph 83.

84. HLA admits that Dr. Steven Taylor and Dr. Brad Carpenter have worked at Dr. Buccellato's private practice. Further answering the allegations in paragraph 84, HLA states that Drs. Taylor and Carpenter are paid either from Dr. Buccellato's personal funds or from the funds of Dr. Buccellato's private practice. HLA denies the remaining allegations in paragraph 84.

85. HLA admits that, pursuant to the “Agreement and Consequences” Chapter contained in the HLA Handbook, students may be required to perform outdoor campus duties. HLA denies the remaining allegations in paragraph 85.

86. HLA denies the allegations in paragraph 86.

87. HLA states that the referenced Handbook speaks for itself, and to the extent that Plaintiffs’ characterization of or quotations from the referenced Handbook are inconsistent with the actual Handbook, considered in its entirety, such allegations are denied. HLA denies the remaining allegations in paragraph 87.

88. HLA admits that some families have made contributions to the Student Chapel Fund. HLA denies the remaining allegations in paragraph 88.

89. HLA denies the allegations in paragraph 89.

90. HLA denies the allegations in paragraph 90.

91. HLA denies the allegations in paragraph 91. Further answering the allegations in paragraph 91, HLA states that Dr. Buccellato has never signed a document on Mr. Spooner’s behalf without Mr. Spooner’s full consent and agreement. HLA further states that because Dr. Buccellato serves as the President of HLA and is thus in charge of the day-to-day operations of the school, he is fully

authorized to negotiate contracts with suppliers and perform other duties commensurate to his authority as President.

92. HLA denies the allegations in paragraph 92, including the footnote.

93. HLA denies the allegations in paragraph 93.

94. HLA states that the enrollment contract speaks for itself, and denies any allegations in paragraph 94 of the Complaint inconsistent herewith. HLA denies the remaining allegations in paragraph 94.

95. HLA denies the allegations in paragraph 95.

96. HLA incorporates its responses to paragraphs 1 through 95 as if fully set forth herein.

97. HLA admits that Plaintiffs assert a "First Cause of Action" individually against HLA. HLA denies that Plaintiffs can maintain the "First Cause of Action" against HLA either individually or on behalf of the defined or proposed class.

98. HLA admits the allegations in paragraph 98.

99. HLA admits the allegations in paragraph 99.

100. HLA denies the allegations in paragraph 100.

101. HLA states that each enrollment contract describes HLA's obligations to each of the contracting parents as well as the parents' obligations to HLA. To

the extent that the allegations in paragraph 101 misquote, mischaracterize, or misstate the provisions in the contracts, the allegations are denied. HLA denies the remaining allegations in paragraph 101.

102. HLA denies the allegations in paragraph 102.

103. HLA denies the allegations in paragraph 103.

104. HLA denies the allegations in paragraph 104.

105. HLA denies the allegations in paragraph 105.

106. HLA incorporates its responses to paragraphs 1 through 105 as if fully set forth herein.

107. HLA admits that Plaintiffs assert a “Second Cause of Action” individually against HLA. HLA denies that Plaintiffs can maintain the “Second Cause of Action” against HLA either individually or on behalf of the defined or proposed class.

108. The allegations in paragraph 108 seek a legal conclusion to which no response is required from HLA. To the extent that a response is required, HLA states that the enrollment contract speaks for itself, and HLA denies that it has breached the contract or violated any duty of good faith and fair dealing implied in that contract.

109. HLA denies the allegations in paragraph 109.

110. HLA denies the allegations in paragraph 110.

111. HLA denies the allegations in paragraph 111.

112. HLA incorporates its responses to paragraphs 1 through 111 as if fully set forth herein.

113. HLA admits that Plaintiffs assert a “Third Cause of Action” individually against HLA. HLA denies that Plaintiffs can maintain the “Third Cause of Action” either individually or on behalf of the defined or proposed class.

114. HLA admits that Plaintiffs purport to bring a claim pursuant to Georgia’s Fair Business Practices Act, but HLA denies that Plaintiffs can maintain such a claim against HLA. HLA denies the remaining allegations in paragraph 114.

115. HLA denies the allegations in paragraph 115.

116. HLA states that the language in O.C.G.A. § 10-1-393(a) speaks for itself, and denies any allegations in paragraph 116 that are inconsistent herewith. HLA denies that it has committed any “unfair methods of competition” as alleged by Plaintiffs.

117. HLA denies the allegations in paragraph 117.

118. HLA states that the language in O.C.G.A. § 10-1-393(b)(9) speaks for itself, and denies any allegations in paragraph 118 that are inconsistent herewith.

119. HLA denies the allegations in paragraph 119.

120. HLA incorporates its responses to paragraphs 1 through 119 as if fully set forth herein.

121. HLA admits that Plaintiffs assert a “Fourth Cause of Action” individually against HLA. HLA denies that Plaintiffs can maintain the “Fourth Cause of Action” either individually or on behalf of the defined or proposed class.

122. HLA denies the allegations in paragraph 122.

123. HLA denies the allegations in paragraph 123.

124. HLA denies the allegations in paragraph 124.

125. HLA denies the allegations in paragraph 125.

126. HLA denies the allegations in paragraph 126.

127. Regarding the unnumbered paragraph following paragraph 126 entitled “Basis of Allegations,” HLA lacks knowledge and information sufficient to form a belief as to the truth of the allegations in the first sentence of the “Basis of Allegations” paragraph. HLA denies the remaining allegations in the “Basis of Allegations” paragraph.

128. Regarding the unnumbered paragraph on page 66 of the Complaint entitled “Prayer for Relief,” HLA denies that Plaintiffs are entitled to any of the relief sought therein.

129. HLA denies each and every allegation contained in the Complaint that is not expressly admitted herein.

130. HLA demands a jury trial on all issues so triable.

DEFENSES

Without assuming the burden of proof where it otherwise rests with Plaintiffs, HLA asserts the following defenses to Plaintiffs' Complaint:

FIRST DEFENSE

The Complaint fails, in whole or in part, to state a claim against HLA upon which relief can be granted.

SECOND DEFENSE

Plaintiffs' claims are barred, in whole or in part, by the doctrines of waiver, estoppel, and laches.

THIRD DEFENSE

Plaintiffs' claim for punitive damages against HLA cannot be sustained because an award of punitive damages under Georgia law by a jury that (1) is not provided constitutionally adequate standards of sufficient clarity for determining the appropriate imposition of, and the appropriate size of, a punitive damages award, (2) is not adequately instructed on the limits of punitive damages imposed

by the applicable principles of deterrence and punishment, (3) is not expressly prohibited from awarding punitive damages, or determining the amount of an award of punitive damages, in whole or in part, on the basis of invidiously discriminatory characteristics, (4) is permitted to award punitive damages under a standard for determining liability for punitive damages that is vague and arbitrary and does not define with sufficient clarity the conduct or mental state that make punitive damages permissible, (5) is not properly instructed regarding Plaintiffs' burden of proof with respect to each and every element of a claim for punitive damages, and (6) is not subject to trial court and appellate judicial review for reasonableness and the furtherance of legitimate purposes on the basis of constitutionally adequate and objective standards, would violate HLA's due process and equal protection rights guaranteed by the Fifth and Fourteenth Amendments to the United States Constitution, and the parallel provision(s) of the Georgia Constitution, and would be improper under the common law and public policies of the State of Georgia.

FOURTH DEFENSE

Plaintiffs' claim for punitive damages against HLA cannot be sustained, because any award of punitive damages under Georgia law, which would be penal in nature, without according HLA the same protections that are accorded to all

criminal defendants, including the protection against unreasonable searches and seizures, self-incrimination, and the right to confront adverse witnesses, a speedy trial, and the effective assistance of counsel, would violate HLA's rights guaranteed under the Fourth, Fifth, and Sixth Amendments as incorporated in the Fourteenth Amendment to the United States Constitution and the parallel provision(s) of the Georgia Constitution, and would be improper under the common law and public policies of the State of Georgia.

FIFTH DEFENSE

Plaintiffs' claim for punitive damages against HLA cannot be sustained because an award of punitive damages under Georgia law without proof of every element beyond a reasonable doubt would violate HLA's substantive and procedural due process rights under the due process provisions of the Georgia Constitution.

SIXTH DEFENSE

Plaintiffs' claim for punitive damages fails to satisfy the applicable pleading standards for punitive damages under Georgia and/or federal law and should be dismissed on that basis.

SEVENTH DEFENSE

The voluntary payment doctrine bars or limits each of Plaintiffs' claims against HLA that fall within its scope.

EIGHTH DEFENSE

Plaintiffs' claim for breach of an implied covenant of good faith and fair dealing should be dismissed because such a claim is not recognized as an independent cause of action under applicable law.

NINTH DEFENSE

Plaintiffs' claim for unjust enrichment should be dismissed because Plaintiffs have not conferred a benefit on HLA for which Plaintiffs have not been compensated.

TENTH DEFENSE

Plaintiffs' claim for unjust enrichment should be dismissed because money received by HLA from Plaintiffs was not required to be held for the benefit of Plaintiffs or any other party.

ELEVENTH DEFENSE

Plaintiffs' claim for unjust enrichment should be dismissed for Plaintiffs' failure to exhaust other available legal remedies.

TWELFTH DEFENSE

Plaintiffs' claim for unjust enrichment should be dismissed as against HLA, Inc. given the presence of an enrollment contract between the parties.

THIRTEENTH DEFENSE

Plaintiffs' claims are subject to the doctrines of setoff and/or recoupment.

FOURTEENTH DEFENSE

Plaintiffs' claims are barred by the doctrine of accord and satisfaction.

FIFTEENTH DEFENSE

Plaintiffs' claims are barred, in whole or in part, by the applicable statutes of limitations.

SIXTEENTH DEFENSE

Plaintiffs' claims are barred, in whole or in part, because Plaintiffs have failed to mitigate any damages they purport to have suffered.

SEVENTEENTH DEFENSE

Plaintiffs' claims are barred, in whole or in part, because Plaintiffs consented to and/or ratified all of the alleged acts of which they complain.

EIGHTEENTH DEFENSE

The Complaint fails, in whole or in part, because any alleged conduct by HLA complained of by Plaintiffs was, and is, undertaken in good faith and for legitimate business reasons.

NINETEENTH DEFENSE

Plaintiffs are not entitled to an injunction or any other equitable relief because Plaintiffs have an adequate remedy at law, will not be irreparably harmed in the absence of an injunction, and in general cannot satisfy the prerequisites for injunctive relief.

TWENTIETH DEFENSE

Plaintiffs are not entitled to a declaratory judgment or any other equitable relief because Plaintiffs have an adequate remedy at law, will not be irreparably harmed in the absence of a declaratory judgment, and in general cannot satisfy the prerequisites for a declaratory judgment.

TWENTY-FIRST DEFENSE

Plaintiffs' claim under the Georgia Fair Business Practices Act is barred because Plaintiffs failed to send a written demand prior to filing suit as required by O.C.G.A. § 10-1-399(b).

TWENTY-SECOND DEFENSE

Plaintiffs' claim under the Georgia Fair Business Practices Act is barred because an action under the Act can only be maintained individually, not in a representative capacity, pursuant to O.C.G.A. § 10-1-399.

TWENTY-THIRD DEFENSE

Plaintiffs' claim under the Georgia Fair Business Practices Act is barred because the alleged unlawful conduct did not occur in the context of a "consumer transaction" or a "consumer act or practice," as required by O.C.G.A. § 10-1-399.

TWENTY-FOURTH DEFENSE

Plaintiffs' claim under the Georgia Fair Business Practices Act is barred because Plaintiffs have failed to show reliance on HLA's alleged unlawful actions.

TWENTY-FIFTH DEFENSE

The Complaint fails, in whole or in part, because neither HLA's Handbook nor its website nor any other documents outside the enrollment contract created any contractual obligations by HLA toward Plaintiffs.

TWENTY-SIXTH DEFENSE

Any damages allegedly suffered by Plaintiffs were not proximately caused by the acts or conduct of HLA.

TWENTY-SEVENTH DEFENSE

Plaintiffs' claims are barred, in whole or in part, by the release in Section 7 of the enrollment contract signed by the Plaintiffs.

TWENTY-EIGHTH DEFENSE

Plaintiffs' claims are barred, in whole or in part, by the exculpatory clause in Section 11(b) of the enrollment contract signed by Plaintiffs.

TWENTY-NINTH DEFENSE

The class action allegations of the Complaint should be dismissed because Plaintiffs cannot establish the commonality, typicality, or adequacy of representation requirements of a class action, nor can they establish that any purported common issues predominate over individual issues or that HLA has acted on grounds generally applicable to all members of the proposed class.

THIRTIETH DEFENSE

HLA hereby gives notice that it intends to rely upon any other defense that may become available or appear during the proceedings in this case and hereby reserves its right to amend its Answer and Defenses to assert any such defense. HLA also reserves its right to assert other and related defenses as may become available in the event of a determination that the common law causes of action

described in the Class Action Complaint or some portions thereof, are governed by the substantive law of a jurisdiction other than the State of Georgia.

COUNTERCLAIM OF HLA, INC.

Pursuant to the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202 and Rule 13 of the Federal Rules of Civil Procedure, Defendant and Counter-Plaintiff HLA, Inc. (“HLA”) makes and files this Counterclaim against Plaintiffs and Counter-Defendants, Jill Ohanesian Ryan and Ronald Ryan and Duff Meyer and Robin Brecker (collectively, “Plaintiffs and Counter-Defendants”), and alleges as follows:

1. HLA incorporates its responses to paragraphs 1 through 130 of its Answer to Plaintiffs’ Complaint as if fully set forth herein.

THE PARTIES

2. Defendant and Counter-Plaintiff, HLA, is a non-profit Georgia corporation with its principal place of business located at 830 Hidden Lake Road, Dahlonega, Georgia 30533.

3. Plaintiffs and Counter-Defendants Jill Ohanesian Ryan and Ronald Ryan are the parents of a former student at HLA, and reside in Florida. Plaintiffs

and Counter-Defendants Duff Meyer and Robin Brecker are the parents of a former student at HLA, and reside in Pennsylvania.

JURISDICTION AND VENUE

4. This Court has jurisdiction over this counterclaim under 28 U.S.C. § 1332 because complete diversity exists between the parties and the amount in controversy exceeds \$75,000.

5. Plaintiffs are subject to personal jurisdiction in this Court because Plaintiffs affirmatively invoked the jurisdiction of this Court by filing the Complaint.

6. Venue is proper in this Court because a substantial part of the events or omissions giving rise to the claim occurred in this District.

COUNT ONE:
DECLARATION OF HLA'S
ENTITLEMENT TO ATTORNEYS' FEES

7. HLA incorporates its responses to paragraphs 1 through 6 of its Counterclaim as if fully set forth herein.

8. HLA enters into an enrollment contract with the parents and/or guardians of every student enrolled at the school.

9. The enrollment contracts signed by Plaintiffs were entered into in consideration for HLA's services, including education and room and board

facilities. All of the prerequisites for a valid, enforceable, and binding contract have been met.

10. Each enrollment contract contains various provisions governing the relationship between the parents and the school, such as the tuition rate, a schedule of tuition payments, information regarding testing of the students, and other similar provisions.

11. While the contracts contain various and differing provisions, each contract that HLA has entered into with parents and/or guardians contains a clause providing that in the event any party brings a claim or litigation against HLA, the party must “indemnify and hold HLA harmless from any and all damages, judgments, costs and attorneys’ fees incurred by HLA as a result of said claims and/or litigation.”

12. Plaintiffs dispute that they are required to reimburse HLA for its costs and attorneys’ fees as a result of this litigation. Accordingly, an actual controversy exists between the parties for the purposes of the Declaratory Judgment Act.

13. Since the filing of Plaintiffs’ Complaint on September 11, 2006, HLA has already incurred, and continues to incur, costs and attorneys’ fees as a result of the present litigation.

14. HLA is entitled to a declaration that Plaintiffs are contractually obligated to reimburse HLA for all costs and attorneys' fees HLA has incurred, and continues to incur, as a result of the claims asserted in Plaintiffs' Complaint.

WHEREFORE, Defendant and Counter-Plaintiff, HLA, Inc. pray as follows:

(a) That the Court enter judgment in favor of HLA, Inc. and against Plaintiffs/Counterclaim Defendants on all counts of the Complaint;

(b) That the Court dismiss all claims against HLA, Inc.;

(c) That the Court decline to certify this action as a class action;

(d) That the Court declare pursuant to Count One of HLA, Inc.'s Counterclaim that Plaintiffs/Counterclaim Defendants are contractually obligated to indemnify HLA from all costs and attorneys' fees incurred as a result of the claims asserted in Plaintiffs' Complaint;

(e) That Plaintiffs/Counterclaim Defendants bear all costs of this action;
and

(f) That the Court grant HLA, Inc. such other relief as it deems just and proper.

DATED: November 8, 2006.

s/Letitia A. McDonald
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*Attorneys for Defendant and
Counter-Plaintiff HLA, Inc.*

CERTIFICATE OF SERVICE

I hereby certify that on November 8, 2006, I electronically filed the foregoing **HLA, INC.'S ANSWER, DEFENSES AND COUNTERCLAIM TO PLAINTIFFS' CLASS ACTION COMPLAINT** with the Clerk of Court using the CM/ECF system which will automatically send e-mail notification of such filing to the following attorneys of record:

Lawrence J. Lederer
Merrill G. Davidoff
Jonathan H. Stanwood
Lane L. Vines
Michael J. Gorby
Mary Donne Peters
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s/ Jennifer D. Fease

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