

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MISSOURI**

ABN AMRO MORTGAGE GROUP, INC.,

Plaintiff,

vs.

PEARL MORTGAGE GROUP, INC.
2909 Grand Street
Kansas City, Missouri 64108

MIDTOWN REAL ESTATE HOLDINGS,
L.L.C.,
2909 Grand Street
Kansas City, Missouri 64108

JONATHAN JENNINGS REALTY, L.L.C.
6425 Stadium Drive
Kansas City, Missouri 64129

JONATHAN JENNINGS
4104 Northeast Edgewater Court
Lee's Summit, Missouri 64064-3102

BRIGHTER HOMES EAST, INC.
6601 Stadium Drive
Kansas City, Missouri 64129

NATHAN BRINKLE
1403 Southwest 11th Street
Blue Springs, Missouri 64015-5401

ADAM KERR
9680 Timber Meadows Drive
Lee's Summit, Missouri 64086-9504

LEE ULLMAN
12820 Sherwood Drive
Leawood, Kansas 66209-1894

EQUITABLE TITLE COMPANY, L.L.C
10100 West 87th Street, Suite 202
Overland Park, Kansas 66212

Case No. 05-0584-CV-W-ODS

PLATINUM MORTGAGE GROUP, II, INC.
4901 Main #218
Kansas City, Missouri 64141

DAVID L. PETERSON
13845 Horton Drive
Overland Park, Kansas 66223-2977

DANIEL R. PETERSON
8200 Belinder Road
Leawood, Kansas 66206-1154.

PETERSON APPRAISAL
8200 Belinder Road
Leawood, Kansas 66206-1154.

MARY JENNINGS
4065 N. Pinal Street
Kingman, Arizona 86401

DDL INVESTMENT, L.L.C.
10100 West 87th Street #202
Overland Park, Kansas 66212

PHILLIP THOMAS
8604 Jacomo Ridge Court
Lee's Summit, Missouri 64064-2788.

THOMAS APPRAISAL SERVICES, INC.
4609 Northwest 86th Place
Kansas City, Missouri 64154-1178.

Defendants.

COMPLAINT

Plaintiff ABM AMRO Mortgage Group, Inc. (“ABN”), by and through counsel of record, Shook, Hardy & Bacon, L.L.P., for its Complaint, states and alleges as follows:

I. NATURE OF ACTION

1. ABN alleges that Defendants conducted a massive scheme of fraudulent real estate transactions in the Greater Kansas City area. Defendants’ conduct is known in the industry as “flipping.” Flipping is the process whereby parties purchase depressed real estate and arrange inflated appraisals on the property. The parties then locate buyers, arrange mortgage financing based on the inflated appraisals, and profit from the fees and overcharges collected from the fraudulent sale. In most cases, the bad actors falsely advertise these properties as lucrative investment properties. The bad actors suggest that the buyers can profit by renting out the property to tenants. However, the buyers are not able to rent out the property at a monthly rate sufficient to cover their mortgage obligation; an obligation the inflated sale price makes insurmountably burdensome. Many buyers then default on their loan obligation, forcing the servicer of the loan to foreclose on the property and attempt to mitigate its losses through a foreclosure sale. Because the loan issued for an egregiously inflated purchase price, however, the seller invariably incurs significant loss, as the foreclosure sale price is less than the mortgage balance remaining on the property.

2. In this case, Defendants’ flipping scheme involved hundreds of properties and harmed victims of a similar class.

3. On June 2, 2005, Defendants Adam Kerr, Nathan Brinkle, and Jonathon Jennings pleaded guilty before the Honorable Scott O. Wright to a two-count information charging Defendants with wire fraud (18 U.S.C. § 1343) and money laundering (18 U.S.C. §

1957 and 2). The Federal Bureau of Investigation (FBI) continues to investigate other defendants involved in this flipping scheme.

4. The civil wrongs of which Defendants are liable include, Racketeering Influenced and Corrupt Organization (RICO), 18 U.S.C. §1961, *et seq.*; RICO conspiracy, 18 U.S.C. §1962(d); Missouri common-law fraud; Missouri common-law conspiracy; and Missouri common-law negligent misrepresentation.

5. Defendants' scheme required the participation of numerous defendants operating behind legitimate (or ostensibly legitimate) corporations. These actors operated as a full-service fraudulent real estate enterprise. Effectuating Defendants' illicit enterprise required the participation of particularized real estate specialists at each stage:

a. Property Speculators: These actors masqueraded as legitimate property owners. The Speculators acquired distressed real estate then resold the properties to buyers at inflated prices, often based upon pledged improvements to the property that were never made. They promised buyers profitable investment properties with no money down. Brinkle, Jennings, Brighter Homes and Jonathon Jennings Realty played this role;

b. Front Men: These actors conspired with Property Speculators and advanced money to prospective buyers to be applied as down payments so that buyers could acquire distressed properties, primarily through foreclosure sales. These bad actors also devised schemes to assist uncreditworthy buyers to make a down payment on the subject property. From June 2000 until mid-December 2001, the Front Men made unreported cash payments on subject properties, enabling otherwise unqualified buyers to make a down payment and obtain a mortgage. From mid-December 2001 until October 2002—fearing the cash down payment scheme risked exposing their malfeasance—the Front Men began using so-called “contract-for-

deed” transactions in lieu of cash down payments. In contract-for-deed transactions, the Front Men would issue a warranty deed to a prospective buyer in exchange for a promissory note guaranteeing repayment within a specified term, often the very day the note was executed. Immediately thereafter, the buyer would obtain a “refinance loan” (a misnomer because no “original” mortgage was ever recorded) then use the proceeds to extinguish the promissory note. Both schemes—cash front payments and contracts-for-deeds—allowed otherwise unqualified buyers to obtain mortgage financing through ABN. Upon information and belief derived from interviews with former associates of the Flipping Enterprise, Ullman and DDL Investments played this role in most transactions; Kerr, Brinkle and Jennings played it in others;

c. Mortgage Hustlers: Pretending to be legitimate mortgage brokers, the Mortgage Hustlers assisted the buyer to find a mortgage lender to finance the sale of subject properties at inflated prices. Adam Kerr, Platinum II, and Pearl Mortgage played this role;

d. Appraisal Inflators: These persons inflated the appraisal value of subject properties to substantiate inflated and prearranged purchase prices in closing documents. Peterson Appraisal, Dan Peterson, David Peterson, Phillip Thomas and Thomas Appraisal played this role; and

e. Enabling Title Companies: With impressive corporate names, these actors provided a legitimate veneer to this scheme. The Enabling Title Companies prepared documents for closing (often with false, incomplete, and inaccurate information) and disbursed checks to RICO participants (often certifying the disbursement of checks despite knowing that the closing documents contained false information). Equitable Title Company played this role.

6. The purpose of Defendants’ scheme was to: (1) defraud buyers into purchasing depressed properties at grossly-inflated prices; (2) defraud ABN by collecting profits

on loans issued for overvalued properties that were likely to end up in foreclosure; and (3) profit through gains derived from fraudulent sales.

7. Defendants accomplished this scheme by using or causing the use of the United States mail; more specifically, Defendants used or caused the use of the United States mail to send fraudulent appraisal information, mail loan applications based on fraudulent appraisals, mail affidavits falsely attesting that the buyer himself paid a down payment on the subject property, and mail mortgage payment information based on inflated loans (a byproduct of the fraudulent appraisals).

8. Defendants accomplished this scheme by using or causing the use of the United States wires. More specifically, Defendants used or caused the use of the United States wires, among other things, to fraudulently misrepresent to Plaintiff and others the value of the subject properties.

9. Defendants further accomplished this purpose by knowingly executing, or attempting to execute, the activities of the enterprise to defraud financial institutions of moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, financial institutions, by means of false or fraudulent pretenses, *i.e.*: Defendants arranged sales and financing of the properties in this lawsuit based on inflated appraisals.

II. JURISDICTION AND VENUE

10. This Court has jurisdiction over Plaintiff's claims based on 28 U.S.C. §1331 and/or 28 U.S.C. §1337, which provide jurisdiction for Racketeer Influenced and Corrupt Organizations (RICO), 18 U.S.C. §1961 *et seq.*; and 29 U.S.C. §1367, which provides jurisdiction for supplemental state claims, including Missouri common-law fraud and conspiracy

claims.

11. This Court also has jurisdiction under 28 U.S.C. § 1332 because Plaintiff and all Defendants are the legal residents of different states, and because the claims at issue exceed \$75,000.

12. Venue is proper under 28 U.S.C. § 139, because all causes of action alleged in this complaint arose in Jackson County, Missouri.

III. PARTIES

13. Plaintiff ABN AMRO Mortgage Group, Inc. (“ABN”) is an international leader in the wholesale mortgage lending industry. As a wholesale mortgage lender, ABN underwrites and purchases mortgages from mortgage brokers such as Platinum Mortgage Group and Pearl Mortgage Group. ABN is a Delaware corporation.

14. Defendant Nathan Brinkle was a member of Defendants’ Flipping Enterprise. Mr. Brinkle, acting individually and as the registered agent of corporation Brighter Homes East, Inc. was a Property Speculator. Brinkle, with co-conspirator Jonathon Jennings, purchased and resold the properties in Cases 2-4, 6, and 7. He also participated directly in sizable majority of the fraudulent loans at issue in this lawsuit. Defendant Brinkle is a person within the meaning of 18 U.S.C. § 1962. Defendant Brinkle currently resides at 1403 Southwest 11th Street, Blue Springs, Missouri, 64015-5401.

15. Defendant Jonathon Jennings was a Property Speculator and a Front Man. Mr. Jennings, participated directly in Cases 2-4, 6, and 7. He participated directly in most of the fraudulent loans at issue in this case. Mr. Jennings is a person within the meaning of 18 U.S.C. § 1962. Defendant Jennings currently resides at 4104 Northeast Edgewater Court, Lee’s Summit, Missouri, 64064-3102.

16. Defendant Brighter Homes East, Inc. (“Brighter Homes”) was a Property Speculator. Brighter Homes was the corporation through which Defendant Brinkle operated. Brighter Homes participated in the sale of the properties in Cases 2-4, 6, and 7. It also participated directly in most of the fraudulent loans at issue in this case. Defendant Brighter Homes is a person within the meaning of 18 U.S.C. § 1962. Defendant Brighter Homes is a Missouri corporation and Defendant Brinkle is its registered agent. Defendant Brighter Homes maintains a principal place of business at 6601 Stadium Drive, Kansas City, Missouri, 64129.

17. Defendant Jonathon Jennings Realty, L.L.C. (“Jennings Realty”) was a Property Speculator and a Front Man. Jennings Realty was the corporation through which Defendant Jennings operated. Jennings Realty was involved in Cases 2-4, 6 and 7. Defendant Jennings Realty is a person within the meaning of 18 U.S.C. § 1962. Defendant Jennings Realty is a Missouri limited liability corporation with Defendant Jennings as its registered agent. Defendant Jennings Realty maintains its principal place of business at 6425 Stadium Drive, Kansas City, Missouri, 64129.

18. Defendant Adam Kerr was a Property Speculator, a Mortgage Hustler and a Front Man. As a Property Speculator, Mr. Kerr operated through Midwest Real Estate Holdings, L.L.C. (“Midwest Real Estate”). Midwest Real Estate and Mr. Kerr were involved in the sale of the subject property in Case 5. Mr. Kerr—as an employee of Platinum Mortgage Group, as the owner of Platinum Mortgage Group II, L.L.C., and later as the owner Pearl Mortgage Group, Inc.—was a Mortgage Hustler. Kerr’s business entities provided the legitimacy needed to locate buyers and to deceive ABN into issuing loans to unqualified buyers for the purchase of overvalued properties. Defendant Kerr and all his affiliated companies are persons within the meaning of 18 U.S.C. § 1962. Mr. Kerr was the Mortgage Hustler in Cases 1-

9. Defendant Kerr resides at 9680 Timber Meadows Drive, Lee's Summit, Missouri, 64086-9504.

19. Defendant Midtown Real Estate Holdings, L.L.C. ("Midtown") was a Property Speculator. It was the seller in Case 5 and is a person within the meaning of 18 U.S.C. § 1962. Defendant Midtown is a Missouri limited liability corporation and maintained a principal place of business at 2909 Grand Street, Kansas City, Missouri, 64108. Mr. Kerr, as registered agent of Midtown, filed a statement of resignation of registered agent on August 4, 2004, which became effective on November 25, 2004.

20. Defendant Platinum Mortgage Group, II, L.L.C., ("Platinum II") was a Mortgage Hustler and a corporation through which Mr. Kerr operated. Mr. Kerr incorporated Platinum II on June 1, 1999. Beginning in 2000, Platinum II conducted business as "Pearl Mortgage," although Kerr did not formally incorporate Pearl Mortgage until January 2002. Platinum II was the Mortgage Hustler in Cases 1-6 and is a person within the meaning of 18 U.S.C. § 1962. Platinum II is a Missouri limited liability corporation with its principal place of business at 4901 Main #218, Kansas City, Missouri, 64141. Defendant Kerr is the registered agent of Platinum II. Defendant Kerr amended Platinum II's articles of organization on February 7, 2002, renaming it Norwest Capital Group, L.L.C.

21. Defendant Pearl Mortgage Group, Inc. ("Pearl") was a Mortgage Hustler and another corporation through which Mr. Kerr operated. As alluded to in the preceding paragraph, Platinum II also conducted business under the corporate name "Pearl Mortgage" for a year and a half before Pearl was incorporated. (To alleviate confusion—and because Kerr was the registered agent and sole shareholder of both entities—Platinum II and Pearl are collectively

referred to hereafter as “Platinum/Pearl.”) Pearl is a person within the meaning of 18 U.S.C. § 1962. Defendant Pearl was a Missouri corporation and maintained its principal place of business at 2909 Grand Street, Kansas City, Missouri, 64108. The State of Missouri dissolved Pearl on October 21, 2004, for Pearl’s failure to file a correct and current annual report. Plaintiff’s claims against Pearl are brought in accordance with the procedures for bringing claims against dissolved corporations as enumerated in Mo. Ann. Stat. §§ 351.478 and 351.482.

22. Defendant Lee Ullman was a Front Man and the registered agent of an Enabling Title Company. Defendant Ullman (sometimes individually, sometimes through DDL Investment, L.L.C.) was a Front Man. As a Front Man he made down payments to help Brinkle and Jennings finance the acquisition of distressed properties. Defendant Ullman’s down payment was returned to him upon the disbursement of the loan proceeds. Second, from June 2000 until mid-December 2001, Defendant Ullman fronted down payments to buyers, facilitating the buyers’ purchase of overpriced properties. Many of these buyers were not creditworthy and could not have obtained financing absent Defendant Ullman’s front payment. Third, beginning in December 2001, Ullman—with Brinkle and Jennings—orchestrated contract-for-deed transactions, which also enabled uncreditworthy buyers to obtain properties without making a down payment. Fourth, Mr. Ullman, as owner of Equitable Title Company, prepared and executed fraudulent closing documents, issued title insurance, conducted settlements of sale and financing transactions, and disbursed purchase money for the majority of the Subject Properties. Defendant Ullman is a person within the meaning of 18 U.S.C. § 1962. Defendant Lee Ullman resides at 12820 Sherwood Drive, Leawood, Kansas, 66209-1894.

23. Defendant DDL Investment, L.L.C. (“DDL Investment”) was a Front Man. Defendant DDL Investment was the corporation through which Defendant Ullman fronted

down payments on subject properties. DDL Investment also fronted money to unqualified buyers, enabling them to purchase overvalued properties; it was also the corporation through which Ullman arranged contract-for-deed transactions. Defendant DDL Investment is a person within the meaning of 18 U.S.C. § 1962. DDL Investment is a Kansas limited liability corporation with its principal place of business at 10100 West 87th Street #202, Overland Park, Kansas, 66212. Defendant Ullman is the registered agent of DDL Investment.

24. Defendant David Lee Peterson was an Appraisal Inflator. Defendant David Peterson operated through Peterson Appraisal, Inc. (“Peterson Appraisal”) and knowingly appraised blighted properties at several times their market value. Defendant David Peterson participated in Cases 1-9. Defendant David Peterson is a person within the meaning of 18 U.S.C. § 1962. Defendant David Peterson resides at 13845 Horton Drive, Overland Park, Kansas, 66223-2977.

25. Defendant Daniel R. Peterson was an Appraisal Inflator. Defendant Daniel Peterson operated through Peterson Appraisal, L.L.C. (“Peterson Appraisal”) and knowingly appraised blighted properties at several times their market value. Defendant Daniel Peterson participated in Cases 1-9. Defendant Peterson is a person within the meaning of 18 U.S.C. § 1962. Defendant Daniel Peterson resides at 8200 Belinder Road, Leawood, Kansas, 66206-1154.

26. Defendant Peterson Appraisal, Inc. (“Peterson Appraisal”) was an Appraisal Inflator. Peterson Appraisal was the corporation through which Dan and David Peterson operated and was the appraising company in the majority of the transactions in this suit. Defendant Peterson Appraisal is person within the meaning of 18 U.S.C. § 1962. Defendant Peterson Appraisal is a Kansas corporation with a principal place of business at 8200 Belinder

Road, Leawood, Kansas, 66206-1154.

27. Defendant Phillip Thomas was an Appraisal Inflator. Defendant Thomas operated individually and through Thomas Appraisal Services, Inc. ("Thomas Appraisal"). Thomas appraised debilitated properties at several times their market value to substantiate inflated contract prices. Thomas acted as Inflated Appraiser for Cases 1-4. Defendant Thomas is a person within the meaning of 18 U.S.C. § 1962. Defendant Phillip Thomas resides at 8604 Jacomo Ridge Court, Lee's Summit, Missouri, 64064-2788.

28. Defendant Thomas Appraisal was an Appraisal Inflator. Thomas Appraisal participated in many of the transactions at issue. Defendant Thomas Appraisal is a person within the meaning of 18 U.S.C. § 1962. Defendant Thomas Appraisal maintains a principal place of business at 4609 Northwest 86th Place, Kansas City, Missouri, 64154-1178.

29. Defendant Equitable Title Agency, L.L.C. ("Equitable Title") was an Enabling Title Company. Equitable Title prepared closing documents containing fraudulent information and falsely reported the disbursement of checks to various Defendants. Equitable Title Company was the Enabling Title Company in Cases 1-9. Defendant Equitable Title is a person within the meaning of 18 U.S.C. § 1962. Defendant Equitable Title is a Kansas limited liability company with its principal place of business at 10100 West 87th Street, Suite 202, Overland Park, Kansas, 66212. Defendant Lee Ullman is the registered agent of Equitable Title.

30. Defendant Mary Jennings was an agent of Equitable Title and the closing agent on Cases 1-9. Defendant Mary Jennings misrepresented material facts on hundreds of closing documents. Defendant Mary Jennings is a person within the meaning of 18 U.S.C. 1962. Mary Jennings resides at 4065 N. Pinal Street, Kingman, Arizona, 86401.

31. Platinum Mortgage Group, L.L.C. (“Platinum I”), a Missouri corporation, is not a defendant but is mentioned periodically in the Complaint. Platinum I employed Defendant Adam Kerr periodically from June 2000 until October 2002. Defendant Kerr committed acts of fraud while employed at Platinum I. Plaintiff’s internal investigation has not uncovered evidence suggesting that Platinum I or its owner John Meierhenry participated in or ratified the acts that Defendant Kerr committed while working at Platinum I.

IV. STATEMENT OF CLAIMS

32. From 2000 until 2002, Defendants operated a Flipping Enterprise that successfully defrauded Plaintiff and others of millions of dollars. Within this timeframe, Plaintiff purchased 182 loans from Platinum/Pearl, and 761 from Platinum I. Of these loans, Plaintiff’s internal investigation has concluded that at least 89 of the Platinum/Pearl loans are fraudulent, and at least 67 of the Platinum I loans are fraudulent. Virtually all members of the Flipping Enterprise participated in the loans deemed to be fraudulent; and in each, Defendants followed a distinct *modus operandi*.

33. Each fraudulent transaction began with the acquisition of a Subject Property, usually through a foreclosure sale. The buyer was either Jonathon Jennings (individually or through his company), Nathan Brinkle (individually or through his company) or Adam Kerr (individually or through Midtown). Often Defendant Lee Ullman (individually or through DDL Investments) fronted a down payment for the acquisition of the Subject Property.

34. After acquiring a Subject Property the Defendants made cosmetic repairs and quickly resold it—or, in real estate jargon, “flipped” it—to an unwitting buyer for a much higher price. These “repairs” were often nonexistent or nominal changes to the property. Defendants often misrepresented the scope of repairs made on the Subject Property. Defendants

misrepresented that the Subject Property was a sound investment capable of paying for itself through rental income. To support this claim, Defendants submitted fraudulent income and expense statements, which forecasted rent proceeds by using “comparable” properties that were larger, in appreciably better condition, and in more desirable locations. Defendants also concealed that the Subject Property had been recently acquired for a fraction of the current asking price.

35. After garnering interest in a Subject Property, the Property Speculators steered unwitting buyers to Defendant Kerr and his affiliated mortgage companies. These Mortgage Hustlers completed relevant paper work and arranged financing on the Subject Property. Many buyers were not creditworthy, requiring Kerr and affiliates to misrepresent buyer financial information, employment history and other pertinent financial data.

36. Many buyers also lacked capital to make a down payment on the property. Defendant Ullman, through DDL Investment, assisted buyers by fronting down payments. Beginning December 2001, Defendants Ullman (through DDL Investments or individually), Kerr (through Midtown or individually), Brinkle (through Brighter Homes or individually) and Jennings (through Jennings’ Realty or individually) also arranged unreported contract-for-deed transactions, which also allowed otherwise unqualified buyers to acquire subject properties without making a down payment.

37. Essential to carrying out this scheme were Appraisal Inflators. These actors appraised Subject Properties at prearranged, highly inflated prices. Obtaining loan approval required documentation to collateralize the contract price. To substantiate an inflated contract price, the Appraisal Inflators would manipulate “Comps,” or, properties similar in location, condition, and size to the subject property—which then serve as yardsticks when

estimating the market value of the subject property. The Appraisal Inflaters chose Comps which were blatantly *incomparable* to the subject property. Generally, the subject property was inferior in three respects; it was smaller, its condition shoddier, and its location less desirable than those of the Comps. Plaintiff materially relied upon these inflated appraisals in deciding to issue loans on the subject properties.

38. Defendants' scheme also required Enabling Title Companies to consummate each transaction. Defendant Lee Ullman, as the owner and registered agent of Defendant Equitable Title, was instrumental at this stage in ratifying and concealing material misrepresentations necessary for Plaintiff to issue the loan sought. First, though cognizant of the market value of the subject properties (often he had helped purchase them in the first place), Defendant Ullman ratified the inflated appraisals. Second, because Defendants Ullman and Equitable have assisted buyers in obtaining subject properties—either by making a cash front payment, or by arranging a contract-for-deed transaction—they knew that the closing statements misrepresented and concealed material facts, namely, the type of loan (original mortgage or refinance), the buyers' financial information, the source of the down payment and other material information. Plaintiff detrimentally relied on these misrepresentations when it decided to underwrite loans on the Subject Properties.

39. United States mail and wires were the conduit of choice for Defendants' Flipping Enterprise and a *sine qua non* its success. Material misrepresentations concerning buyers' financial data, conditions of the Subject Properties, prices of Comps, rental information, and other pertinent data were frequently transmitted through United States mail and wires from June 2000 to July 2002.

SAMPLE CASES

40. The following nine cases illustrate the operation and structure of Defendants' Flipping Enterprise. They are exemplars of pattern of conduct named Defendants engaged in from June 2000 to October 2002 in over 160 real estate transactions; and they enumerate with particularity the acts of fraud and the predicate offenses of mail and wire fraud committed to consummate each fraudulent conveyance. Each of the transactions at issue, with slight nuance, followed the same pattern as those detailed in Cases One through Nine. Those fraudulent loans not pleaded below are listed by loan number, transaction date, and buyer name in Exhibit A.

41. Specifically, Cases 2 through 4 offer conclusive circumstantial proof that buyers received front money to be used as a down payment, which then enabled the unqualified buyers to acquire subject prosperities without making a down payment. These three cases illustrate how, in the seven-week window spanning September 11, 2001 to October 31, 2001, Troy Sullivan purchased eight properties from the Flipping Enterprise without personally making a down payment—as doing so would have been economically impossible. They further illustrate that the Flipping Enterprise committed fraud by failing to disclose the true source of down payments.

CASE 1: - JEFFERY MARTIN – 104 S. PINE

42. On August 23, 2000, the Flipping Enterprise closed its first fraudulent real estate transaction. The buyer in this initial transaction, Jeffery Martin, was not a participant in the scheme, but an innocent victim. The conveyance of the real property located on 104 S. Pine, Skidmore, Missouri, 64487, to Mr. Martin illustrates the *modus operandi* of the Flipping Enterprise.

43. On or around August 2000, Defendant Nathan Brinkle purchased the 104

S. Pine property (the "Subject Property") for \$20,000.

44. Based on information and belief derived from interviews with former associates of the Flipping Enterprise, on or before August 2000, Defendant Ullman fronted money to Defendant Brinkle and Defendant Brighter Homes to finance the acquisition of the Subject Property.

45. On or before August 23, 2000, Defendants Brighter Homes, Nathan Brinkle, Jennings Realty, and Jonathon Jennings misrepresented that the market value of the Subject Property was \$60,000. Defendants withheld the material fact that just six weeks earlier the Subject Property had changed hands for a fraction of this current asking price.

46. Defendants Brighter Homes, Brinkle, Jennings and Jennings Realty then steered Martin to Mortgage Hustlers Platinum/Pearl and Adam Kerr to complete a mortgage application. Defendants maintained that the market value of the Subject Property was \$60,000. Based upon knowledge and experience in the industry, Defendant Platinum/Pearl and Defendant Kerr knew or should have known that the residential loan application of August 23, 2000, contained material misrepresentations of fact.

47. Final approval and disbursement of the proposed loan required an appraisal to substantiate the inflated selling price. On or around August 23, 2000, Defendants Phillip Thomas and Thomas Appraisal conspired with Defendants Property Speculators, Mortgage Hustlers and Front Men to inflate the appraisal to the desired selling price. Defendants Phillip Thomas and Thomas Appraisal materially misrepresented the market value of the Subject Property in an appraisal signed and dated August 23, 2000. The Appraisal Inflators chose Comps located over 17 miles from the Subject Property, despite the presence of nearer comparables. Moreover, the appearance and condition of the Subject Property were plainly

inferior to those of the “Comps.” These misrepresentations, with others, inflated the appraised value of the Subject Property by over one hundred percent.

48. Defendants Platinum/Pearl and Adam Kerr represented to Jeffery Martin that the appraisal was accurate in a form dated August 23, 2000, which Martin signed to finalize his loan through ABN.

49. The Appraisal Inflators also submitted an operating income statement, which projected annual income and expenses if the Subject Property were utilized as a rental. The report misrepresented that the Subject Property was in rentable condition and that it had a history of producing income when both were false. These representations were material in Plaintiff’s election to underwrite the loan.

50. On August 23, 2000 Defendant Equitable Title, through agent Mary Jennings, duly executed applicable forms to finalize the sale of the Subject Property. These included Truth-in-Lending Act (“TILA”) forms, settlement statements, and a deed of trust in favor of ABN (collectively “Closing Documents”). The county recorder recorded the deed of trust on October 3, 2001.

51. The August 23, 2000, Closing Documents reflect Mr. Martin’s responsibility for \$10,000 in settlement costs at closing.

52. Upon information and belief derived from interviews with former associates of the Flipping Enterprise, Front Man Lee Ullman of DDL Investment paid the closing costs for Mr. Martin’s acquisition of the Subject Property. Defendants Front Men and Mortgage Hustlers fraudulently concealed from Plaintiff ABN the true source of funds used for the down payment and closing costs.

53. Defendants Equitable Title and Mary Jennings misrepresented and omitted

material facts in the Closing Documents. Defendant Equitable Title, and its registered agent Defendant Ullman, were aware that the market value of the Subject Property was less than the value listed in the Closing Documents. Given Ullman's involvement as a Front Man in this and other transactions he knew or should have known of the August 2000 transaction in which Subject Property sold for \$20,000.

54. At closing, Defendants Equitable Title and Mortgage Hustlers misrepresented in an affidavit that the buyer, Jeffery Martin, paid all the closing costs and down payment on the Subject Property. Given their involvement in this transaction and others, Defendants Equitable Title and Mortgage Hustlers knew that Mr. Martin did not pay closing costs or a down payment himself.

55. Defendant Equitable Title provided a façade of legitimacy upon which Plaintiff relied when it decided to enter into this transaction. Through the Closing Documents, these companies attested that all information in the Closing Documents was accurate. Plaintiff reasonably relied on such representation in its decisions to fund the mortgages on the Subject Properties.

56. Upon closing the loan, as memorialized in settlement statements, virtually all members of the Flipping Enterprise received some pecuniary benefit through fees or capital gains.

57. To consummate this deal, Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title used the United States wires to fraudulently represent to Martin or ABN:

a. On or about August 23, 2000, that the Subject Property had

a market value of \$60,000, when its actual value was a fraction of that amount;

b. On or about August 23, 2000, that the Subject Property had an appraised value of \$60,000, when its actual value was a fraction of that amount;

c. On or about August 23, 2000, that the Subject Property was in rentable condition and that it would generate (and had generated) sufficient income to be cash flow positive;

58. Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title also used and caused the use of the United States mail to fraudulently represent to Martin or ABN:

a. On our about August 23, 2000, that the Subject Property had an appraised value of \$60,000, when its actual value was a fraction of that amount;

b. On our about August 23, 2000, that the Subject Property was in rentable condition and had generated positive cash flow in years past when neither was accurate;

c. On our about August 23, 2000, the RICO defendants represented the same in the Closing Documents; copies of which were mailed to virtually all parties named in the transaction.

59. Martin reasonably relied on those false statements and purchased the Subject Property on the belief that the appraisal was accurate. The false statements harmed Martin because the Subject Property was worth only a fraction of the amount indicated by

Defendants.

60. Defendants also knowingly executed or attempted to execute a scheme to defraud a financial institution by false or fraudulent pretenses, in that, on or about August 23, 2000, Brighter Home, Brinkle and Jennings procured ABN to grant a loan based on the \$60,000 appraisal on the Subject Property, when its actual value was a fraction of that amount. Defendants also inserted false information in Martin's loan application including misstated income and assets.

61. Defendants knew that the Subject Property was being sold at a vastly inflated price.

62. Defendants engaged the Enabling Title Company, Equitable Title, to act in an agency relationship distinct from its RICO enterprise relationship. Defendants promoted the title company's activity and benefited from their agency relationship with those companies.

63. ABN was injured on account of Defendants' conduct because it issued a loan that buyer could not repay.

CASE 2: TROY SULLIVAN – 5830 WOODLAND

64. From June 2000 to July 2002, Defendants Property Speculators executed 30 warranty deeds to purchaser Troy Sullivan. Troy Sullivan was allegedly employed at Sprint as a software engineer at all times relevant to the events described herein. The conveyance of the real property located on 5830 Woodland, Kansas City, Missouri, 64111, to Mr. Sullivan illustrates the *modus operandi* of the Flipping Enterprise.

65. On July 20, 2001, Defendant Brighter Homes and Defendant Brinkle purchased real property located at 5830 Woodland (the "Subject Property") through a foreclosure

sale from Wells Fargo Bank of Minnesota for \$20,350.

66. On or before July 20, 2001, upon information and belief derived from interviews with former associates of the Flipping Enterprise, Defendant Lee Ullman and DDL Investment fronted money to Defendant Brinkle and Defendant Brighter Homes to finance the acquisition of the Subject Property.

67. On or before September 18, 2001, Defendants Brighter Homes, Nathan Brinkle, Jennings Realty, and Jonathon Jennings misrepresented that the market value of the Subject Property was \$70,000. Defendants concealed from buyer that just two months earlier the Subject Property sold for less than one-third the current asking price.

68. Defendants Brighter Homes, Brinkle, Jennings and Jennings Realty then steered Sullivan to Mortgage Hustlers Platinum/Pearl and Adam Kerr to complete a mortgage application. Defendants maintained that the market value of the Subject Property was \$70,000. Based upon knowledge and experience in the industry, Defendant Platinum/Pearl and Defendant Kerr knew or should have known that the residential loan application of September 18, 2001, contained material misrepresentations of fact.

69. Final approval and disbursement of the proposed loan required an appraisal to substantiate the inflated selling price. On or around August 17, 2001, Defendants Phillip Thomas and Thomas Appraisal conspired with Defendants Property Speculators, Mortgage Hustlers and Front Men to inflate the appraisal to the desired selling price. Defendants Phillip Thomas and Thomas Appraisal materially misrepresented the market value of the Subject Property in an appraisal signed and dated August 17, 2001. The Appraisal Inflators chose Comps in a different area and in appreciably better condition, despite the presence of nearer Comps. Moreover, the appearance and general condition of the Subject Property were plainly

inferior to those of the Comps. These misrepresentations, with others, inflated the appraised value of the Subject Property over three-fold.

70. Defendants Platinum/Pearl and Adam Kerr represented to Troy Sullivan that the appraisal was accurate in a form dated September 18, 2001—which Sullivan signed to finalize his loan through ABN.

71. The Appraisal Inflators also submitted an operating income statement, which projected annual income and expenses if the Subject Property were utilized as a rental. This report misrepresented that the Subject Property was in rentable condition and that it had a history of producing income when neither was true. These representations were material in Plaintiff's decision to underwrite the loan.

72. On September 18, 2001, Defendant Equitable Title, through agent Mary Jennings, duly executed applicable forms and finalized the sale of the Subject Property. These included Truth-in-Lending Act ("TILA") forms, settlement statements, and a deed of trust in favor of ABN (collectively "Closing Documents"). The county recorder recorded the deed of trust on October 3, 2001.

73. The September 18, 2001 Closing Documents state that Mr. Sullivan was responsible for \$17,676.60 in settlement costs at closing. The Closing Documents valued Mr. Sullivan's total liquid assets at \$38,000.

74. Upon information and belief derived from interviews with persons formerly involved in the Flipping Enterprise, Front Men Ullman, Brinkle, and Jennings fronted these settlement costs to Sullivan. These Front Men fraudulently concealed from Plaintiff ABN the true source of funds used for the down payment on the property and for the closing costs.

75. Defendants Equitable Title, Ullman and Mary Jennings misrepresented

and omitted material facts in the Closing Documents. Defendant Equitable Title and its registered agent Defendant Ullman knew that the market value of the Subject Property was substantially lower than the value listed in the Closing Documents. Given Ullman's involvement as a Front Man in this and other transactions he knew or should have known of the July 2001 transaction in which Subject Property was acquired for \$20,350.

76. At closing, Defendants Equitable Title and Mortgage Hustlers misrepresented in a sworn affidavit that the buyer, Troy Sullivan, paid all closing costs as well as a down payment on the Subject Property. Given their involvement in this transaction and others, Defendants Equitable Title and Mortgage Hustlers knew that Mr. Sullivan did not pay closing costs or a down payment himself.

77. Defendant Equitable Title provided a façade of legitimacy upon which Plaintiff relied when it decided to enter into this transaction. At closing, these companies attested that all information in the Closing Documents was accurate. Plaintiff reasonably relied on such representation in its decisions to fund the mortgages on the Subject Properties.

78. Upon closing the loan, as memorialized in settlement statements, virtually all members of the Flipping Enterprise received some pecuniary benefit in the form of fees or capital gains.

79. To consummate this deal, Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum Mortgage, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title used the United States wires to fraudulently represent to the Sullivan or ABN:

- a. On or about September 18, 2001, that the Subject Property had a market value of \$70,000, when its actual value was a fraction of that

amount;

b. On or about September 18, 2001, that the Subject Property had an appraised value of \$70,000, when its actual value was a fraction of that amount;

c. On or about September 18, 2001, that the Subject Property was in rentable condition and that it would generate (and had generated) sufficient income to be cash flow positive;

80. Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title also used and caused the use of the United States mail to fraudulently represent to Sullivan or ABN:

a. On our about September 18, 2001, that the Subject Property had an appraised value of \$70,000, when its actual value was a fraction of that amount;

b. On our about September 18, 2001, that the Subject Property was in rentable condition and had generated positive cash flow in years past, when neither was accurate;

c. On our about September 18, 2001, the RICO defendants represented the same in the Closing Documents; copies of which were mailed to virtually all parties named in the transaction.

81. ABN reasonably relied on those false statements and issued a mortgage loan on the Subject Property on the belief that the appraisal was accurate. The false statements harmed ABN because the Subject Property was worth a fraction of the amount indicated by

Defendants.

82. Defendants, including Mortgage Hustlers, also knowingly executed, or attempted to execute, a scheme to defraud a financial institution by false or fraudulent pretenses, in that, on or about September 18, 2001, Brighter Home, Brinkle and Jennings procured Platinum/Pearl to grant a loan based on the \$70,000 appraisal on the Subject Property, when its actual value was a fraction of that amount. Defendants also inserted false information on Sullivan's loan application, including income and assets.

83. Defendants knew the Subject Property was sold at a vastly inflated price.

84. Defendants engaged the Enabling Title Company to act in an agency relationship distinct from its RICO enterprise relationship. Defendants promoted the title companies' activity and benefited from their agency relationship with those companies.

85. ABN was injured on account of Defendants' conduct because it issued a loan that buyer could not repay.

CASE 3: TROY SULLIVAN - 4301 BALES

86. From June 2000 to July 2002, Defendants Property Speculators executed 30 warranty deeds to purchaser Troy Sullivan. Troy Sullivan was allegedly employed at Sprint as a software engineer at all times relevant to the events described herein. The conveyance of the real property located on 4301 Bales Avenue, Kansas City, Missouri, 64128, to Mr. Sullivan illustrates the *modus operandi* of the Flipping Enterprise.

87. On August 9, 2001, Defendant Nathan Brinkle purchased the 4301 Bales Avenue property (the "Subject Property") from Vivian N. Clay for \$27,000.

88. On or before August 9, 2001, Defendant Ullman, as the registered agent of

DDL Investment, fronted money to Defendant Brinkle and Defendant Brighter Homes to finance the acquisition of the Subject Property.

89. On or before September 26, 2001, Defendants Brighter Homes, Nathan Brinkle, Jennings Reality, and Jonathon Jennings misrepresented that the market value of the Subject Property was \$55,000. Defendants withheld the material fact that just six weeks earlier the Subject Property had changed hands for less than one-third of this current asking price.

90. Defendants Brighter Homes, Brinkle, Jennings and Jennings Realty then steered Sullivan to Mortgage Hustlers Platinum/Pearl and Adam Kerr to complete a mortgage application. Defendants maintained that the market value of the Subject Property was \$55,000. Based upon knowledge and experience in the industry, Defendant Platinum/Pearl and Defendant Kerr knew or should have known that the residential loan application of September 26, 2001, contained material misrepresentations of fact.

91. Final approval and disbursement of the proposed loan required an appraisal to substantiate the inflated selling price. On or around September 25, 2001, Defendants Phillip Thomas and Thomas Appraisal conspired with Defendants Property Speculators, Mortgage Hustlers and Front Men to inflate the appraisal to the desired selling price. Defendants Phillip Thomas and Thomas Appraisal materially misrepresented the market value of the Subject Property in an appraisal signed and dated September 18, 2001. The Appraisal Inflatons chose Comps constructed in a different era and of better structural integrity, despite the presence of more representative comparables. The three Comps had a full concrete basement, while the Subject Property rested upon a concrete slab. Moreover, the appearance and condition of the Subject Property were plainly inferior to those of the Comps. These misrepresentations, with others, inflated the appraised value of the Subject Property by over one-hundred percent.

92. Defendants Platinum/Pearl and Adam Kerr represented to Troy Sullivan that the appraisal was accurate in a form dated September 26, 2001, which Sullivan was required to sign to finalize his loan through ABN.

93. The Appraisal Inflatons also submitted an operating income statement, which projected annual income and expenses if the Subject Property were utilized as a rental. The report misrepresented that the Subject Property was in rentable condition and that it had a history of producing income when both were false. These representations were material in Plaintiff's election to underwrite the loan.

94. On September 26, 2001, Defendant Equitable Title, through agent Mary Jennings, duly executed applicable forms to finalize the sale of the Subject Property. These included Truth-in-Lending Act ("TILA") forms, settlement statements, and a deed of trust in favor of ABN (collectively "Closing Documents"). The county recorder recorded the deed of trust on October 3, 2001.

95. The September 26, 2001, Closing Documents reflect Mr. Sullivan's responsibility for \$12,167.20 in settlement costs at closing. The Closing Documents valued Mr. Sullivan's total liquid assets at \$38,000—the same value assigned his liquid assets upon closing the loan for the 5830 Woodland property just six days before.

96. Upon closing on the 5830 Woodland loan, Mr. Sullivan allegedly paid over \$17,000 in closing costs. Between the acquisition of the 5830 Woodland property on September 18, 2001 and the acquisition of the Subject Property, Mr. Sullivan had also purchased real property at 3616 Woodland, Kansas City, Missouri, 64109, and at 3422 Benton Boulevard, Kansas City, Missouri, 64109, from the Flipping Enterprise. He allegedly paid over \$25,000 in closing costs to acquire the two properties. Thus, from September 18, 2001 up to the acquisition

of the Subject Property, Mr. Sullivan purchased three investment properties from the Flipping Enterprise, and, in so doing, allegedly paid over \$42,000 in closing costs.

97. Despite incurring over \$42,000 in closing costs between the 5830 Woodland transaction and the acquisition of the Subject Property, Mr. Sullivan's reported liquid assets remained \$38,000. It is economically impossible then, that Sullivan himself paid the closing costs on the properties he acquired from September 18, 2001 to September 26, 2004, because the transactions occurring within those dates did not affect his reported liquid assets or his reported net worth.

98. Upon information and belief derived from interviews with former associates of the Flipping Enterprise, Front Man Lee Ullman of DDL Investment paid a portion of the closing costs for Mr. Sullivan's acquisition of the Subject Property; the remainder came from a second equity mortgage taken out by Defendant Brinkle on the Subject Property on September 14, 2001. Defendants Front Men fraudulently concealed from Plaintiff ABN the source of funds used for the down payment and closing cost on the property.

99. Defendants Equitable Title and Mary Jennings misrepresented and omitted material facts in the Closing Documents. Defendant Equitable Title, and its registered agent Defendant Ullman, were aware that the market value of the Subject Property was substantially lower than the value listed in the Closing Documents. Given Ullman's involvement as a Front Man in this and other transactions he knew or should have known of the August 9, 2001, transaction in which Property Speculators acquired the Subject Property for \$27,000.

100. At closing, Defendants Equitable Title and Mortgage Hustlers misrepresented in a sworn affidavit that the buyer, Troy Sullivan, paid all closing costs and a down payment on the Subject Property. Given their involvement in this transaction and others,

Defendants Equitable Title and Mortgage Hustlers knew that Mr. Sullivan did not pay closing costs or a down payment himself.

101. Defendant Equitable Title provided a façade of legitimacy upon which Plaintiff relied when it decided to enter into this transaction. In the Closing Documents, these companies attested that all representations therein were accurate. Plaintiff reasonably relied on such representation in its decisions to fund the mortgages on the Subject Properties.

102. Upon closing, as memorialized in settlement statements, virtually all members of the Flipping Enterprise received some pecuniary benefit through fees and capital gains. Even Defendant Peterson Appraisal, though not the appraiser for this transaction, received a \$450.00 fee upon closing.

103. To consummate this deal, Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title used the United States wires to fraudulently represent to Sullivan or ABN:

a. On or about September 18, 2001, that the Subject Property had a market value of \$55,000, when its actual value was a fraction of that amount;

b. On or about September 26, 2001, that the Subject Property had an appraised value of \$55,000, when its actual value was a fraction of that amount;

c. On or about September 26, 2001, that the Subject Property was in rentable condition and that it would generate (and had generated) sufficient income to be cash flow positive;

104. Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title also used and caused the use of the United States mail to fraudulently represent to Sullivan or ABN:

a. On or about September 26, 2001, that the Subject Property had an appraised value of \$55,000, when its actual value was a fraction of that amount;

b. On or about September 26, 2001, that the Subject Property was in rentable condition and had generated positive cash flow in years past, when neither was accurate;

c. On or about September 26, 2001, the RICO defendants represented the same in the Closing Documents; copies of which were mailed to virtually all parties named in the transaction.

105. Defendants, including Mortgage Hustlers, also knowingly executed, or attempted to execute, a scheme to defraud a financial institution by false or fraudulent pretenses, in that, on our about September 26, 2001, Brighter Home, Brinkle and Jennings procured Platinum/Pearl to grant a loan based on the \$55,000 appraisal on the Subject Property, when its actual value was a fraction of that amount. Defendants also inserted false information in Sullivan's loan application, including income and assets.

106. Defendants knew that the Subject Property was sold at a vastly inflated price.

107. Defendants engaged the Enabling Title Company to act in an agency relationship distinct from its RICO enterprise relationship. Defendants promoted the title

companies' activity and benefited from their agency relationship with those companies.

108. ABN was injured on account of Defendants' conduct because it issued a loan that buyer could not repay.

CASE 4 – TROY SULLIVAN – 4405 E. 30TH STREET

109. From June 2000 to July 2002, Defendants executed 30 warranty deeds to purchaser Troy Sullivan. Troy Sullivan was allegedly employed at Sprint as a software engineer at all times relevant to the events described herein. The conveyance of the real property located on 4405 E. 30th Street, Kansas City, Missouri, 64128, to Mr. Sullivan illustrates the *modus operandi* of the Flipping Enterprise.

110. On May 21, 2001, Defendant Brighter Homes obtained the 4405 E. 30th property (the "Subject Property") for \$18,000 at a foreclosure sale.

111. On or around May 21, 2001, Defendant Ullman of DDL Investment fronted money to Defendant Brinkle and Defendant Brighter Homes East for the purchase of the Subject Property.

112. On or before October 29, 2001, Defendants Brighter Homes East, Nathan Brinkle, Jennings Reality, and Jonathon Jennings misrepresented that the market value of the Subject Property was \$62,500. Defendants concealed the fact that months before the Subject Property had sold for one-third this \$62,500 asking price.

113. Defendant Brighter Homes and Defendant Brinkle then steered Sullivan to Mortgage Hustlers Platinum/Pearl and Adam Kerr to complete a mortgage application. Defendants maintained that the market value of the Subject Property was \$62,500. Based upon experience in the industry, Defendant Platinum/Pearl and Defendant Kerr knew or should have known that the residential loan application of October 29, 2001, contained material

misrepresentations of fact.

114. To substantiate the proposed loan amount Appraisal Inflaters Phillip Thomas and Thomas Appraisal misrepresented the market value of the Subject Property. Defendants omitted and misrepresented material facts in an appraisal signed and dated July 7, 2001. The Appraisal Inflaters chose comparable properties that were more than a mile from the Subject Property, despite the presence of nearer comparables. The comparable properties were two-story homes while the Subject Property was a one-story bungalow. These misrepresentations, with others, inflated the appraised value of the Subject Property by nearly fifty percent.

115. Defendants Platinum/Pearl and Adam Kerr represented to Troy Sullivan that this appraisal was accurate in a disclosure form dated October 25, 2001, which Sullivan signed for submission to ABN.

116. The Appraisal Inflaters also submitted an operating income statement which projected annual income and expenses if the Subject Property were utilized as a rental. This report misrepresented that the Subject Property was in rentable condition and that it had a history of producing income when both were false. These representations were material in Plaintiff's decision to underwrite the loan.

117. On October 31, 2001, Defendant Equitable Title, through agent Mary Jennings, duly executed applicable forms and finalized the sale of the Subject Property. These included Truth-in-Lending Act ("TILA") forms, settlement statements, and a deed of trust in favor of ABN (collectively "Closing Documents"). The county recorder recorded the deed of trust on November 6, 2001.

118. The October 31, 2001 Closing Documents reflect that Mr. Sullivan was

responsible for \$10,025.82 in settlement costs. The Closing Documents also reflect that Mr. Sullivan reported \$38,000 in total liquid assets at closing.

119. The acquisition of the 4405 E. 30th Street property represented the ninth home that Mr. Sullivan had purchased from the Flipping Enterprise since September 18, 2001. A conservative estimate of the aggregate closing costs that Mr. Sullivan allegedly “paid” to acquire the previous eight properties was \$85,000. Nonetheless, as of the October 31, 2001 transaction, Mr. Sullivan still reported \$38,000 in total liquid assets. Thus, despite incurring over \$85,000 in closing costs in a six-week period, Mr. Sullivan’s reported liquid assets remained unchanged. Given Mr. Sullivan’s financial position, it is economically impossible that he himself paid the closing costs on the nine properties he acquired from the Flipping Enterprise between September 18, 2001 and October 31, 2001.

120. Upon information and belief derived from interviews with former associates of the Flipping Enterprise, Front Men Lee Ullman and DDL Investments fronted these costs to Sullivan in cash. Defendants fraudulently concealed from Plaintiff ABN the true source of funds used for the down payment and closing cost paid to acquire the property.

121. Defendants Equitable Title and Mary Jennings misrepresented and omitted material facts in the Closing Documents. Defendants Equitable Title and Ullman were aware that the market value of the Subject Property was substantially lower than that represented in the Closing Documents because Ullman helped Property Speculators acquire it in May 2001 for just \$18,000.

122. At closing, Defendants Equitable Title and Mortgage Hustlers misrepresented in a sworn affidavit that the buyer, Troy Sullivan, paid all closing costs as well as

a down payment on the Subject Property. Given their involvement in this transaction and others, Defendants Equitable Title and Mortgage Hustlers knew that Mr. Sullivan did not pay closing costs or a down payment himself.

123. Defendant Equitable Title provided a façade of legitimacy upon which Plaintiff relied when it decided to enter into this transaction. Through the Closing Documents, those companies attested that all information in the Closing Documents was accurate. Plaintiff reasonably relied on such representation in its decisions to fund the mortgages on the Subject Properties.

124. At closing, as memorialized in settlement statements, virtually all members of the Flipping Enterprise received some pecuniary benefit in the form of fees or capital gains. Even Defendant Peterson Appraisal, though not the appraiser for this transaction, received a \$450.00 fee upon closing.

125. To consummate the deal Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title used the United States wires to fraudulently represent to the Sullivan or ABN:

a. On or about October 29, 2001, that the Subject Property had a market value of \$62,500, when its actual value was a fraction of that amount;

b. On or about October 29, 2001, that the Subject Property had an appraised value of \$62,500 when its actual value was a fraction of that amount;

c. On or about October 29, 2002, that the Subject Property

was in rentable condition and that it would generate (and had generated) sufficient income to be cash flow positive.

126. Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title also used and caused the use of the United States mail to fraudulently represent to Sullivan or ABN:

a. On or about October 29, 2001, that the Subject Property had an appraised value of \$62,500, when its actual value was a fraction of that amount;

b. On or about October 29, 2001, that the Subject Property was in rentable condition and had generated positive cash flow, when neither was accurate;

c. On or about October 31, 2001, the RICO defendants represented the same in the Closing Documents—copies of which were mailed to virtually all parties named in the transaction.

127. Sullivan reasonably relied on those false statements and purchased the Subject Property on the belief that the appraisals were accurate. The false statements harmed Sullivan because the Subject Property was worth only a fraction of the amount indicated by Defendants.

128. Defendants, including Mortgage Hustlers, also knowingly executed, or attempted to execute, a scheme to defraud a financial institution by false or fraudulent pretenses, in that, on or about October 29, 2001, Brighter Home, Brinkle and Jennings procured ABN to grant a loan based on the \$62,500 appraisal on the Subject Property, when its actual value was a

fraction of that amount. Defendants also inserted false information on Sullivan's loan application, including income and assets.

129. Defendants were aware that the Subject Property was being sold at a vastly inflated price.

130. Defendants engaged the Enabling Title Companies to act in an agency relationship distinct from its RICO enterprise relationship. Defendants promoted the title companies' activity and benefited from their agency relationship with those companies.

131. ABN was injured on account of Defendants' conduct because it issued a loan that buyer could not repay.

CASE 5: CARLA WHITAKER – 6039 ROCKHILL

132. Carla Whitaker was a resident of Ohio who relocated to Kansas City. Whitaker was not a first-time homebuyer, however, she was not a real estate professional; nor was she familiar with the Kansas City real estate market. Whitaker presumably relocated for career purposes—she was a traveling consultant in the chiropractic industry. Whitaker fell victim to Defendants' Flipping Enterprise. The conveyance of the real property located at 6039 Rockhill Road, Kansas City, Missouri, 64110, to her illustrates the *modus operandi* of the RICO enterprise.

133. On or before June 3, 1998, Troy Bray, a mortgage representative at Platinum/Pearl, acquired the 6039 Rockhill property (the "Subject Property") for \$114,380.

134. On or before June 3, 1998, Defendant Ullman and DDL Investment fronted money to finance the acquisition of the Subject Property.

135. On January 31, 2001, Troy Bray refinanced the Subject Property for \$107,000.

136. On or before May 21, 2001, Troy Bray, Adam Kerr, Midtown Real Estate Group, and Platinum/Pearl contacted Ms. Whitaker to solicit the sale of the Subject Property. These Defendants misrepresented the market value of the Subject Property as \$171,000. Defendants concealed the true value of the Subject Property.

137. Bray and Mortgage Hustlers Platinum/Pearl and Adam Kerr persuaded Whitaker to complete a mortgage application. Defendants maintained that the market value of the Subject Property was \$171,000. These actors knew (or should have known) that the residential loan application of May 21, 2001, contained material misrepresentations of fact, namely that the Subject Property's appraised value was inflated over fifty percent above its market value.

138. That the Flipping Enterprise misrepresented and concealed the true market value of the Subject Property is buttressed by the fact that as of filing this Complaint the Subject Property is up for sale at \$152,000 (MLS # 1170046), \$19,000 less than its flipped price nearly four years ago.

139. Final approval of the loan application required a certified appraisal to substantiate the inflated selling price. On or around May 30, 2001, Defendants Dan Peterson and Peterson Appraisal conspired with Defendants Property Speculators, Mortgage Hustlers and Front Men to inflate the appraisal at a prearranged selling price. Defendants Peterson and Peterson Appraisal misrepresented the market value of the Subject Property in an appraisal signed and dated May 30, 2001. The Appraisal Inflaters chose Comps that were five or more blocks west of the Subject Property, despite the presence of nearer Comps. The three Comps were situated in a higher demand neighborhood. Given their experience in the industry, the

Appraisal Inflaters knew or should have known that cherry-picking “Comps” to the west of the Subject Property would significantly inflate its appraised value. Moreover, mere months after closing the deal on the Subject Property, a property of comparable size and condition, at 6031 Rockhill, sold for \$121,280. These misrepresentations inflated the appraised value of the Subject Property by nearly fifty percent.

140. Defendants Platinum/Pearl and Adam Kerr represented to Whitaker that the appraisal was accurate in a disclosure dated June 11, 2001, which Whitaker signed as part of her loan packet.

141. On June 11, 2001, Defendant Equitable Title duly executed the applicable forms finalizing the sale of the Subject Property. This included Truth-in-Lending Act (“TILA”) forms, settlement statements, and a deed of trust in favor of ABN (collectively “Closing Documents”). The county recorder recorded the deed of trust on June 14, 2001.

142. The June 11, 2001, Closing Documents reflect that Ms. Whitaker was responsible for \$19,612.08 in settlement costs at closing. Front Man Lee Ullman of DDL Investment fronted a portion of these costs to Whitaker.

143. Defendants Equitable Title and agent Mary Jennings misrepresented and omitted material facts in the Closing Documents. Defendant Equitable Title and its registered agent Defendant Ullman were cognizant that the market value of the Subject Property was substantially lower than the value listed on the Closing Documents. Given Ullman’s involvement as a Front Man in this and other transactions he knew or should have known that the May 30, 2001 appraisal was inflated to defraud ABN.

144. Additionally, at closing Defendants Equitable Title and Mortgage Hustlers misrepresented in a sworn affidavit that the buyer, Carla Whitaker, paid all closing costs as well

as a down payment on the Subject Property. Given their involvement in this transaction and others, Defendants Equitable Title and Mortgage Hustlers knew that Ms. Whitaker did not pay closing costs or a down payment himself.

145. Defendant Equitable Title provided a façade of legitimacy upon which Plaintiff relied upon when it decided to approve and disburse the loan on the Subject Property. At closing, the Enabling Title Companies attested that all information in the Closing Documents was accurate. Plaintiff reasonably relied on such representation in its decisions to fund the mortgages on the Subject Properties.

146. Upon closing, as memorialized in settlement statements, virtually all members of the Flipping Enterprise received some pecuniary benefit in the form of fees or capital gains.

147. To consummate these deals, Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title used the United States wires to fraudulently represent to the Sullivan or ABN:

a. On or about May 22, 2001, that the Subject Property had a market value of \$171,000, when its actual value was considerably less;

b. On or about May 22, 2001, that the Subject Property had an appraised value of \$171,000, when its actual value was considerably less;

148. Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title also used and caused the use of the United States mail to fraudulently represent to Sullivan or ABN:

a. On or about May 22, 2001, that the Subject Property had an appraised value of \$171,000, when its actual value was a fraction of that amount;

b. On or about June 11, 2001, the RICO defendants represented the same in the Closing Documents; copies of which were mailed to virtually all parties named in the transaction.

149. Defendants also knowingly executed or attempted to execute a scheme to defraud a financial institution by false or fraudulent pretenses, in that, on or about June 11, 2001, Brighter Home, Brinkle and Jennings procured ABN to grant a loan based on the \$171,000 appraisal on the Subject Property, when its actual value was a fraction of that amount. Defendants also inserted false information on Sullivan's loan application, including income and assets.

150. Defendants were aware that the Subject Property was being sold at a vastly inflated price.

151. Defendants engaged the Enabling Title Company to act in an agency relationship distinct from its RICO enterprise relationship. Defendants promoted the title companies' activity and benefited from their agency relationship with those companies.

152. ABN was injured on account of Defendants' conduct.

CASES 6 and 7: WADE RUSTICI – 3001 SPRUCE and 3209 JACKSON

153. From June 2000 to July 2002, Wade Rustici was a doctor of chiropractic medicine in Kansas City. Dr. Rustici was well educated but a neophyte in real estate investing and the management of rental properties. The conveyances of real property located on 3001 Spruce, Kansas City, Missouri, 64128, and 3209 Jackson, Kansas City, Missouri, 64128, to Dr. Rustici illustrate the *modus operandi* of the Flipping Enterprise.

154. On April 11, 2001, Defendants Jonathon Jennings and Nathan Brinkle purchased real property located at 3001 Spruce (“Subject Property A”) for \$26,600 from Bank One at a foreclosure sale.

155. Based on information and belief derived from interviews with former associates of the Flipping Enterprise, on or before April 11, 2001, Defendant Lee Ullman and DDL Investment fronted money to Defendants Jennings and Jennings Realty for the purchase of Subject Property A.

156. On or before July 29, 2001, Defendants Jonathon Jennings, Jennings Realty, Nathan Brinkle and Brighter Homes misrepresented that the market value of Subject Property A was \$56,000. Defendants concealed that two months earlier Subject Property A was sold for less than one-half the current asking price.

157. Defendants Brighter Homes, Brinkle, Jennings and Jennings Realty then steered Dr. Rustici to Mortgage Hustlers Platinum/Pearl and Adam Kerr to complete a mortgage application. Defendants maintained that the market value of the Subject Property was \$56,000. Based upon knowledge and experience, Defendants Platinum/Pearl and Kerr knew or should have known that the residential loan application of July 29, 2001, contained material misrepresentations of fact.

158. Final approval and disbursement of the proposed loan required an appraisal to substantiate the inflated selling price. On or around May 25, 2001, Defendants Phillip Thomas and Thomas Appraisal conspired with Defendants Property Speculators, Mortgage Hustlers and Front Men to inflate the appraisal to the desired selling price. Defendants Phillip Thomas and Thomas Appraisal materially misrepresented the market value of the Subject

Property in an appraisal signed and dated May 25, 2001. The Appraisal Inflatons chose Comps from a distinct geographic market in which real estate was in appreciably better condition; despite the presence of nearer Comps. The appearance and general condition of the Subject Property were plainly inferior to those of the Comps. This inflated the appraised value of the Subject Property by over one hundred percent.

159. Defendants Platinum/Pearl and Adam Kerr represented to Wade Rustici that the appraisal was accurate in a disclosure dated September 18, 2001, which Dr. Rustici signed to finalize his loan through ABN.

160. The Appraisal Inflatons also submitted an operating income statement, which projected annual income and expenses if the Subject Property were utilized as a rental. The report misrepresented that the Subject Property was in rentable condition and that it had a history of producing income when both were false. These representations were material in Plaintiff's election to underwrite the loan.

161. On September 11, 2001, Defendant Equitable Title, through agent Mary Jennings, duly executed applicable forms and finalized the sale of the Subject Property. These included Truth-in-Lending Act ("TILA") forms, settlement statements, and a deed of trust in favor of ABN (collectively "Closing Documents"). The county recorder recorded the deed of trust on September 13, 2001.

162. The September 11, 2001, Closing Documents reflect that Dr. Rustici was responsible for \$12,514.41 in settlement costs at closing. These settlement costs were fronted to Rustici by Front Man Lee Ullman of DDL Investments and/or by Defendants Brinkle and Jennings.

163. Defendants Equitable Title and Mary Jennings misrepresented and omitted

material facts in the Closing Documents. Defendant Equitable Title and its registered agent, Defendant Ullman, knew the market value of the Subject Property was substantially lower than the value listed in the Closing Documents. Given Ullman's involvement as a Front Man in this and other transactions he knew or should have known of the April 2001 transaction in which Subject Property was acquired for \$26,600.

164. At closing, Defendants Equitable Title and Mortgage Hustlers misrepresented in a sworn affidavit that the buyer, Wade Rustici, paid all closing costs as well as a down payment on the Subject Property. Given their involvement in this transaction and others, Defendants Equitable Title and Mortgage Hustlers knew that Dr. Rustici did not pay closing costs himself.

165. Defendant Equitable Title provided a façade of legitimacy upon which Plaintiff relied when it decided to enter into this transaction. At closing, the Enabling Title Companies attested that all information in the Closing Documents was accurate. Plaintiff reasonably relied on such representation in its decisions to fund the mortgages on the Subject Properties.

166. Upon closing the loan, as memorialized in the settlement statements, virtually all members of the Flipping Enterprise received some pecuniary benefit in the form of fees or capital gains.

167. During the same timeframe, Property Speculators also lured Dr. Rustici to purchase real property at 3209 Jackson, Kansas City, Missouri, 64128 ("Subject Property B") for a vastly inflated price. This transaction involved an identical cast, with two modest differences: Brighter Homes was the seller of record and Peterson Appraisal the reported appraiser.

168. Brighter Homes acquired Subject Property B for \$32,186 on July 11,

2001, just weeks before flipping it to Rustici for double the acquisition price. Upon information and belief derived from interviews with former associates of the Flipping Enterprise, Front Man Ullman and DDL Investment contributed money to finance the acquisition of this property.

169. On or around July 29, 2001, as memorialized in the real estate contracts and good faith purchase estimates, Brinkle, Brighter Homes East, and Jennings represented that Subject Property B was worth \$55,000. These Property Speculators had acquired Subject Property B for half the selling price just two weeks earlier yet failed to disclose its actual value.

170. On or around July 29, 2001, Mortgage Hustlers made additional representations regarding the inflated value of Subject Property B. To substantiate its value, Defendants conspired with Appraisal Inflators Dan Peterson and Peterson Appraisal to obtain a notarized appraisal attesting the property was worth \$80,000. This appraisal, like others, used Comps located over a mile from the Subject Property and in appreciably better condition. Like other properties, Defendants fabricated an income and expense schedule on this property to support the loan application.

171. The deal closed on September 13, 2001. At closing, Defendants Equitable Title and agent Mary Jennings misrepresented and omitted material facts in the Closing Documents. Defendant Equitable Title and Defendant Ullman knew that the market value of the Subject Property was substantially lower than what was listed in the Closing Documents. Given Ullman's involvement in acquisition of this and other properties he knew or should have known of the July 2001 transaction in which Subject Property sold for \$32,186.

172. At closing, Defendants Equitable Title and Mortgage Hustlers misrepresented in a sworn affidavit that the buyer, Wade Rustici, paid all closing costs as well as a down payment on the Subject Property. Given their involvement in this transaction and others,

Defendants Equitable Title and Mortgage Hustlers knew that Dr. Rustici did not pay closing costs or a down payment himself.

173. Incidentally, the sale price of Subject Property B recorded with the Jackson County records office is \$7,000 higher than the documented sales price. This supports that Defendants made material misrepresentations in the Closing Documents to profit from this sale.

174. In perpetrating the fraudulent sales of Subject Properties A and B, Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title used, or caused the use of, the United States wires to fraudulently represent to the Sullivan or ABN:

a. On or about July 29, 2001, that Subject Property A had a market value of \$55,000, knowing that its actual value was a fraction of that amount;

b. On or about May 25, 2001, that Subject Property A had an appraised value of \$55,000, knowing that its actual value was a fraction of that amount;

c. On or about May 25, 2001, that Subject Property A was in rentable condition and that it would generate (and had generated) sufficient income to be cash flow positive;

d. On or about July 29, 2001, that Subject Property B had a market value of \$55,000, when its actual value was a fraction of that amount;

e. On or about July 29, 2001, that Subject Property B had an

appraised value of \$80,000, when its actual value was a fraction of that amount;

f. On or about July 29, 2001, that Subject Property B was in rentable condition and that it would generate (and had generated) sufficient income to be cash flow positive.

175. Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title also used and caused the use of the United States mail to fraudulently represent to Sullivan or ABN:

a. On or about September 11, 2001, that Subject Property A had an appraised value of \$55,000, and that Subject Property B had an appraised value of \$80,000, when their actual values were a fraction of that amount;

b. On or about September 11, 2001, that Subject Properties A and B were in rentable condition and had generated positive cash flow in years past when neither representation was accurate;

c. On or about September 11, 2001, the RICO defendants represented the same in the Closing Documents for both Subject Properties A and B; copies of which were mailed to virtually all parties named in the transaction.

176. Defendants, including Mortgage Hustlers, also knowingly executed, or attempted to execute, a scheme to defraud a financial institution by false or fraudulent pretenses, in that, on or about September 11, 2001, Brighter Home, Brinkle and Jennings procured Platinum/Pearl to grant two loans based on the appraisal values on the Subject Properties A and B when such values were egregiously inflated. Defendants also inserted false information on

Rustici's loan application, including income and assets.

177. Defendants knew the Subject Properties were sold at vastly inflated prices.

178. Defendants Equitable Title provided a façade of legitimacy upon which Plaintiff relied when it decided to enter this transaction. Through the Closing Documents, these companies attested that all information in the Closing Documents was accurate. Plaintiff reasonably relied on such representation in its decisions to fund the mortgages on the Subject Properties.

179. Defendants arranged for Equitable Title and agent Mary Jennings to act as their agent in a distinct agency relationship separate from the RICO enterprise relationship. Defendants promoted Equitable Title's activity and benefited from their agency relationship with him.

180. ABN was injured on account of Defendants' conduct.

CASE 8: CHAD ULLMAN – 3805 MYRTLE

181. From June 2000 to July 2002, Defendants Property Speculators conveyed several properties to purchaser Chad Ullman, a relative of Enterprise participant Lee Ullman. The conveyance of the real property located on 3805 Myrtle, Kansas City, Missouri, 64138, to Chad Ullman illustrates the *modus operandi* of the Flipping Enterprise.

182. On August 14, 2001, Defendant Brighter Homes purchased the 4312 Brooklyn property (the "Subject Property") from First Union National Bank & Long Beach Mortgage Co., presumably through a foreclosure sale, for \$21,000.

183. Upon information and belief derived from interviews with former associates of the Flipping Enterprise, Defendants Lee Ullman and DDL Investment fronted money to Defendant Brinkle and Defendant Brighter Homes on or before August 14, 2001 to

finance the acquisition of the Subject Property.

184. On or before April 21, 2002, Defendants Brighter Homes, Nathan Brinkle, Jennings Realty, and Jonathon Jennings misrepresented that the market value of the Subject Property was \$110,000. Defendants withheld the material fact that just nine months earlier the Subject Property had sold for less than one-fifth of this current asking price.

185. Defendants Brighter Homes, Brinkle, Jennings and Jennings Realty then collaborated with Mortgage Hustlers Platinum/Pearl and Adam Kerr to complete a mortgage application reflecting this fraudulent valuation. Defendants maintained that the market value of the Subject Property was \$110,000. Based upon knowledge and experience in the industry, Defendant Platinum/Pearl and Defendant Kerr knew or should have known that the residential loan application of April 21, 2002 contained material misrepresentations of fact.

186. Final approval and disbursement of the proposed loan required an appraisal to substantiate the inflated selling price. On or around April 21, 2002, Defendants Dan and David Peterson of Peterson Appraisal conspired with Defendants Property Speculators, Mortgage Hustlers and Front Men and completed an appraisal valuing the Subject Property at the desired selling price. Defendants Dan and David Peterson, through Peterson Appraisals, materially misrepresented the market value of the Subject Property in an appraisal signed and dated April 21, 2002. The Appraisal Inflators chose Comps in a different neighborhoods, despite the presence of nearer comparables. The appearance and condition of the Subject Property were plainly inferior to those of the Comps, and these misrepresentations, with others, inflated the appraised value of the Subject Property by over sixty percent.

187. Defendants Platinum/Pearl and Adam Kerr represented that the appraisal was accurate in a form dated April 21, 2002, which Chad Ullman signed to finalize his loan

through ABN.

188. The Appraisal Inflatons also submitted an operating income statement, which projected annual income and expenses if the Subject Property were utilized as a rental. The report misrepresented that the Subject Property was in rentable condition and that it had a history of producing income when both were false. These representations were material in Plaintiff's election to underwrite the loan.

189. On April 21, 2002 Defendant Equitable Title duly executed applicable forms to finalize the sale of the Subject Property. These included Truth-in-Lending Act ("TILA") forms, settlement statements, and a deed of trust in favor of ABN (collectively "Closing Documents").

190. The April 21, 2002, Closing Documents reflect that Chad Ullman was responsible for approximately \$10,000 in settlement costs. Upon information and belief derived from interviews with former associates of the Flipping Enterprise, Defendants Lee Ullman, Adam Kerr, and David Brinkle arranged a contract-for-deed transaction to effectuate the transaction without the buyer making a down payment.

191. To do this, according to information provided by former associates of the Flipping Enterprise, Defendants Brinkle and Brighter Homes transferred a warranty deed to Chad Ullman on April 21, 2002, and, in exchange, Defendants received a secured note from Ullman due the very day of its issuance. Immediately thereafter, Mortgage Hustlers submitted a mortgage application to ABN representing that the desired loan was a refinance loan; ABN thereafter processed the loan as such based upon this misrepresentation. The original "note," however, was never recorded and there is no documentation reflecting its payoff after ABN disbursed payment on the "refinance" loan.

192. Defendants Equitable Title misrepresented and omitted material facts in the Closing Documents. Defendant Equitable Title (acting through Defendant Lee Ullman) was aware that the market value of the Subject Property was substantially lower than the value listed in the Closing Documents. Given Lee Ullman's involvement as a Front Man in this and other transactions he knew or should have known of the August 9, 2001, transaction in which Subject Property was acquired for \$27,000. Defendants also fraudulently misrepresented and concealed the true nature of the loan in that the application represented that it was a refinance loan when it was not. Had Plaintiff know these facts, it would not have issued the mortgage.

193. Defendant Equitable Title provided a façade of legitimacy upon which Plaintiff relied when it decided to enter into this transaction. Through the Closing Documents, these title companies attested that all information in the Closing Documents was accurate despite their knowledge to the contrary. Plaintiff reasonably relied on such representation in its decisions to fund the mortgages on the Subject Properties.

194. Upon closing the loan, as memorialized in settlement statements, virtually all members of the Flipping Enterprise received some pecuniary benefit, either through fees or capital gains.

195. To consummate this deal, Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Lee Ullman, DDL Investment and Equitable Title used the United States wires to fraudulently represent to ABN:

a. On or about April 21, 2002, that the Subject Property had a market value of \$111,000, when its actual value was a fraction of that amount;

b. On or about April 21, 2002, that the Subject Property had

an appraised value of \$111,000, when its actual value was a fraction of that amount;

c. On or about April 21, 2002, that the Subject Property was in rentable condition and that it would generate (and had generated) sufficient income to be cash flow positive.

196. Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Lee Ullman, DDL Investment and Equitable Title also used and caused the use of the United States mail to fraudulently represent to ABN:

a. On or about April 21, 2002, that the Subject Property had an appraised value of \$111,000 when its actual value was a fraction of that amount;

b. On or April 21, 2002, that the Subject Property was in rentable condition and had generated positive cash flow in years past, when neither was accurate;

c. On or about April 21, 2002, the RICO defendants represented the same in the Closing Documents; copies of which were mailed to virtually all parties named in the transaction.

197. Defendants, including Mortgage Hustlers, also knowingly executed, or attempted to execute, a scheme to defraud a financial institution by false or fraudulent pretenses, in that, on or about April 21, 2001, Brighter Home, Brinkle and Jennings procured Platinum/Pearl to grant a loan based on the \$111,000 appraisal on the Subject Property, when its actual value was a fraction of that amount. Defendants also inserted false information in Chad

Ullman's loan application, including income and assets.

198. Defendants knew that the Subject Property was sold at several times its market value.

199. ABN was injured on account of Defendants' conduct because it issued a loan that buyer could not repay.

CASE 9: CHAD ULLMAN – 4312 BROOKLYN

200. From June 2000 to July 2002, Defendants Property Speculators conveyed multiple properties to Chad Ullman, a relative of Enterprise participant Lee Ullman. The conveyance of the real property located on 3805 Myrtle, Kansas City, Missouri, 64138, to Chad Ullman illustrates the *modus operandi* of the Flipping Enterprise.

201. On August 14, 2001, Defendant Brighter Homes purchased the 3805 Myrtle property (the "Subject Property") from First Union National Bank & Long Beach Mortgage Co., presumably through a foreclosure sale, for \$21,000.

202. Upon information and belief derived from interviews with former associates of the Flipping Enterprise, Defendant Lee Ullman and DDL Investment fronted money to Defendant Brinkle and Defendant Brighter Homes on or before August 14, 2001 to finance the acquisition of the Subject Property.

203. On or before April 21, 2002, Defendants Brighter Homes, Nathan Brinkle, Jennings Realty, and Jonathon Jennings misrepresented that the market value of the Subject Property was \$62,000. Defendants withheld the material fact that just nine months earlier, the Subject Property had changed hands for a fraction of this current asking price.

204. Defendants Brighter Homes, Brinkle, Jennings and Jennings Realty then collaborated with Mortgage Hustlers Platinum/Pearl and Adam Kerr to complete a mortgage

application reflecting this fraudulent valuation. Defendants maintained that the market value of the Subject Property was \$62,000. Based upon knowledge and experience in the industry, Defendant Platinum/Pearl and Defendant Kerr knew or should have known that the residential loan application of April 21, 2002, contained material misrepresentations of fact.

205. Final approval and disbursement of the proposed loan required an appraisal to substantiate the inflated selling price. On or around April 21, 2002, Defendants Dan and David Peterson of Peterson Appraisal conspired with Defendants Property Speculators, Mortgage Hustlers and Front Men and completed an appraisal valuing the Subject Property at the desired selling price. Defendants Dan and David Peterson, through Peterson Appraisals, materially misrepresented the market value of the Subject Property in an appraisal signed and dated April 21, 2002. The Appraisal Inflators chose Comps in a different neighborhoods, despite the presence of nearer comparables. The appearance and condition of the Subject Property were plainly inferior to those of the "Comps," and these misrepresentations, with others, inflated the appraised value of the Subject Property by over sixty percent.

206. Defendants Platinum/Pearl and Adam Kerr represented that the appraisal was accurate in a form dated April 21, 2002, which Chad Ullman signed to finalize his loan through ABN.

207. The Appraisal Inflators also submitted an operating income statement, which projected annual income and expenses if the Subject Property were utilized as a rental. The report misrepresented that the Subject Property was in rentable condition and that it had a history of producing income when both were false. This operating income statement contained falsified information. For instance, copies of the lease agreement submitted to support the operating income statement designated Chad Ullman, purchaser of the Subject Property, as

lessor; yet, Defendant Nathan Brinkle of Brighter Homes East, the seller of the Subject Property, signed the same lease agreement as the lessor. These representations were material in Plaintiff's election to underwrite the loan.

208. On April 21, 2002, Defendant Equitable Title duly executed applicable forms to finalize the sale of the Subject Property. These included Truth-in-Lending Act ("TILA") forms, settlement statements, and a deed of trust in favor of ABN (collectively "Closing Documents").

209. The April 21, 2002 Closing Documents reflect that Mr. Sullivan was responsible for approximately \$10,000 in settlement costs. Upon information and belief derived from interviews with former associates of the Flipping Enterprise, Defendants Lee Ullman, Adam Kerr, and David Brinkle arranged a contract-for-deed transaction to effectuate the transaction without the buyer making a down payment.

210. To do this, according to information provided by former associates of the Flipping Enterprise, Defendants Brinkle and Brighter Homes transferred a warranty deed to Chad Ullman on April 21, 2002, and, in exchange, received a secured note from Chad Ullman due and payable that very same day. This note was never recorded and there is no documentation reflecting the payoff of this note. The mortgage application submitted to ABN represented that the desired loan was a refinance; it was therefore processed as such based upon this misrepresentation.

211. Defendant Equitable Title misrepresented and omitted material facts in the Closing Documents. Defendant Equitable Title (acting through Defendant Lee Ullman) was aware that the market value of the Subject Property was substantially lower than the value listed in the Closing Documents. Given Lee Ullman's involvement as a Front Man in this and other

transactions he knew or should have known of the April 21, 2002, transaction in which Subject Property was acquired for \$21,000. Defendants also fraudulently misrepresented and concealed the true nature of the loan in that the application represented that it was a refinance loan when it was not. Defendants further misrepresented that the buyer was making a cash down payment on the property despite specifically arranging the transaction such that the buyer would not make a down payment. Had Plaintiff know these facts, it would not have issued the mortgage.

212. Defendant Equitable Title provided a façade of legitimacy which Plaintiff relied upon in deciding to enter into this transaction. Through the Closing Documents, these companies attested that all information in the Closing Documents was accurate despite their knowledge to the contrary. Plaintiff reasonably relied on such representation in its decisions to fund the mortgages on the Subject Properties.

213. Upon closing the loan, as memorialized in settlement statements, virtually all members of the Flipping Enterprise received some pecuniary benefit, either through fees or capital gains.

214. To consummate this deal, Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Ullman, DDL Investment and Equitable Title used the United States wires to fraudulently represent to ABN:

a. On or about April 21, 2002, that the Subject Property had a market value of \$62,000, when its actual value was a fraction of that amount;

b. On or about April 21, 2002, that the Subject Property had an appraised value of \$62,000, when its actual value was a fraction of that amount;

c. On or about April 21, 2002, that the Subject Property was in rentable condition and that it would generate (and had generated) sufficient income to be cash flow positive.

215. Defendants Brighter Homes, Brinkle, Jennings Realty, Jonathon Jennings, Platinum/Pearl, Adam Kerr, Thomas Appraisal, Thomas, Peterson Appraisal, Lee Ullman, DDL Investment and Equitable Title also used and caused the use of the United States mail to fraudulently represent to ABN:

a. On or about April 21, 2002, that the Subject Property had an appraised value of \$62,000 when its actual value was a fraction of that amount;

b. On or April 21, 2002, that the Subject Property was in rentable condition and had generated positive cash flow in years past, when neither was accurate;

c. On or about April 21, 2002, the RICO defendants represented the same in the Closing Documents; copies of which were mailed to virtually all parties named in the transaction.

216. Defendants, including Mortgage Hustlers, also knowingly executed, or attempted to execute, a scheme to defraud a financial institution by false or fraudulent pretenses, in that, on or about April 21, 2002, Brighter Home, Brinkle and Jennings procured Platinum/Pearl to grant a loan based on the \$62,000 appraisal on the Subject Property, when its actual value was a fraction of that amount. Defendants also inserted false information in Sullivan's loan application, including income and assets.

217. Defendants knew that the Subject Property was sold at several times its market value.

218. ABN was injured on account of Defendants' conduct because it issued a loan that buyer could not repay.

COUNT ONE: RICO – 18 U.S.C. § 1962(a)(b) & (c)

219. Plaintiff incorporates by reference Paragraphs 1-218 as if fully set forth herein.

220. Sample Cases 1-9 illustrate that Defendants operated as an enterprise within the meaning of 18 U.S.C. 1961(4). This enterprise engaged in, and its activities affected, interstate and foreign commerce. This enterprise purchased and flipped properties in Kansas and Missouri, sold the flipped properties to buyers from various states, and used United States mail and wires to transmit fraudulent information across state lines.

221. Six primary actors masterminded this Flipping Enterprise: Nathan Brinkle (Property Speculator), Jonathon Jennings (Property Speculator), Lee Ullman (Front Man and operator of the Enabling Title Company), Adam Kerr (Mortgage Hustler), Dan Peterson (Appraisal Inflator), and Phillip Thomas (Appraisal Inflator). As detailed in Paragraphs 13-32, each actor perpetrated fraud through legitimate (or legitimate sounding) corporations. Defendant Mary Jennings knowingly defrauded numerous buyers out of monies on behalf of their respective employers, Platinum/Pearl and Equitable Title, and, as such, were members of the RICO enterprise.

222. The Enterprise found its nucleus and decision-making center in four actors: Nathan Brinkle, Jonathon Jennings, Adam Kerr, and Lee Ullman. Upon information and belief derived from interviews with former associates of the Flipping Enterprise, these Defendants coordinated the fraudulent acquisition and resale of the Subject Properties. These four actors organized the acquisition of subject properties, arranged for fraudulent appraisals to

substantiate the contract price, located buyers or directed their employees to locate buyers to purchase the subject properties, misrepresented or order others to misrepresent the value of the subject properties, and falsified or ordered employees to falsify lending documents to deceive ABN and obtain a loan based on inflated selling prices.

223. All Defendants knowingly and willfully associated with the enterprise and conducted, and participated in the conduct of the enterprise's affairs, directly and indirectly by defrauding purchasers of real estate through a pattern of racketeering activity in violation of 18 U.S.C. § 1962(c). In order to engage in this pattern of racketeering activity, Defendant acquired distressed properties, forged lending documents, and inflated appraisals.

224. Defendants' pattern of racketeering activity spanned from June 2000 until July 2002 and threatened to continue indefinitely before curtailed by the FBI investigation. Defendants' scheme involves hundreds of loans fraudulently obtained through Plaintiff, which injured both ABN and numerous buyers.

225. The pattern of racketeering engaged in by Defendants involved fraudulent acts in support of the above scheme constituting mail fraud (18 U.S.C. § 1341), wire fraud (18 U.S.C. § 1343), and financial institution fraud (18 U.S.C. § 1346), all of which is "racketeering activity" as defined in 18 U.S.C. § 1961(1)(b).

226. Three Defendants, as referenced in paragraph 3, have already pleaded guilty to a criminal charge of wire fraud resulting from the illicit activities detailed herein. Additional defendants may enter guilty pleas in the coming months.

227. The fraudulently obtained loans involved thousands of predicate acts of mail and wire fraud made in furtherance of the scheme. These predicate acts include, but are not limited to, fraudulent misrepresentations made via telephone to transmit the inflated prices of

subject properties, the mailing of falsified loan documents, and the mailing of fraudulent appraisals. Particular examples of such acts of fraud are fully enumerated in Cases One through Nine. (¶¶ 43 - 219).

228. Collectively, Defendants obtained millions of dollars in ill-gotten gains from the Flipping Enterprise. Defendants reinvested these ill-gotten gains in the Flipping Enterprise to acquire distressed and foreclosed properties, front down payments to prospective buyers, and pay off debts accrued in the course of the operating the enterprise.

229. Plaintiff relied upon the misrepresentations and omissions directed at it as part of Defendants' pattern of racketeering activity and, as a direct and proximate result, has suffered damage to its business and property.

COUNT TWO: RICO CONSPIRACY – 18 U.S.C. § 1962(d)

230. Plaintiff incorporates by reference Paragraphs 1-229 as if fully restated herein.

231. From June 2000 until July 2001, Defendants' knowingly and willfully conspired to violated 18 U.S.C. §§ 1962(a), (b), and (c).

COUNT THREE: FRAUD

232. Plaintiffs incorporate by reference Paragraphs 1-231 as if fully restated herein.

233. Defendants made false representations and omissions of fact in the loans at issue in this lawsuit. These misrepresentations were transmitted through: (1) sales contracts between a buyer and Property Speculators grossly inflating the price of the subject property; (2) property appraisals completed by an Appraisal Inflater appraising a subject property several times higher than market value; (3) various disclosure forms completed by Mortgage Hustlers

misrepresenting the property values as well as the buyers' creditworthiness; (4) closing documents prepared by the Enabling Title Companies and their agents misrepresenting the value of the subject property and misrepresenting buyer qualifications; (5) income and expense reports misrepresenting that the subject property was rentable, and had a history of profitability as a rental, when both were false; and (6) affidavits attesting that the buyer made the down payment on the subject property when all defendants knew that such representation was false.

234. Defendants also omitted and concealed material facts from buyers and ABN. Most significantly, Defendants concealed the true value of dilapidated properties when the same properties had been purchased for a fraction of their asking price.

235. Examples of such misrepresentations and omissions are enumerated with particularity in Cases One through Nine.

236. Defendants knew, or should have known, these representations were false when made. Cases 1 through 9 illustrate that in each case the Defendants knew the true market value of the subject property because each, either directly or indirectly played a role in its acquisition. Defendants then sold it within weeks for several times its acquisition price. Given Defendants' knowledge of the real estate industry and their intent to flip properties for profit, they knew the documented prices were inflated.

237. Defendants' misrepresentations regarding property values and buyer qualifications were calculated to induce ABN to issue loans at inflated prices. Plaintiff's decisions to issue the loans at issue was based on the innumerable misrepresentations that the values of the subject properties sufficiently collateralized the loan value. Had ABN known the true value of the subject properties, or the credit risk of certain buyers, it would not have issued the loans in question. These misrepresentations were couched in federal disclosure forms and

were reasonably relied upon in issuing the loans.

238. As a direct and proximate result of its reliance upon Defendants misrepresentation, Plaintiff has suffered injury to its business and property.

COUNT FOUR: NEGLIGENT MISREPRESENTATION

239. Plaintiffs incorporate by reference Paragraphs 1-238 as if fully restated herein.

240. In the course of conducting business, all members of the Flipping Enterprise provided (or withheld) information relevant to determining whether a mortgage application should be approved or declined. The Defendant providing the information depended on the nature of the information: Property Speculators knew the market value of the subject property but failed to disclose such information to Plaintiff; Mortgage Hustlers provided information about a prospective buyer's employment history and financial health; Appraisal Inflators provided a certified appraisal estimating a subject property's market value as well as income and expense statements estimating the potential rental value of the same; Enabling Title Companies attested to the veracity of information contained in the mortgage application.

241. Each Defendants, because of a failure to exercise reasonable care, conveyed false information to Plaintiff: Property Speculators failed to disclose the market value of the subject property to ABN; Mortgage Hustlers provided false information regarding buyers' financial information, and they provided false information about the source of funds used to make the down payment; Appraisal Inflators provided false information about the value of the subject property; Enabling Title Companies falsely attested that the information in mortgage applications was true, and they misrepresented that the source of funds for the down payment.

242. The information provided, as enumerated in the two preceding paragraphs,

was intentionally provided for the purpose of facilitating a transaction between Plaintiff, the Flipping Enterprise, and each prospective buyer. The information provided to each for guidance in reaching an informed business decision.

243. Plaintiff justifiably relied on the information that the Flipping Enterprise provided when deciding to fund the mortgages on the Subject Properties.

244. Plaintiff relied upon the misrepresentations and omissions directed at it and, as a direct and proximate result, has suffered damage to its business and property.

COUNT SIX: BREACH OF CONTRACT (AGAINST PLATINUM/PEARL)

245. Plaintiffs incorporate by reference Paragraphs 1-244 as if fully restated herein.

246. ABN purchased loans from Platinum/Pearl and Pearl Mortgage, through a “Wholesale Lending Agreement.” In this Agreement, ABN agreed to underwrite and purchase mortgage loans from both Platinum/Pearl and Pearl Mortgage. The purchase of such mortgage loans entitled ABN to any and all servicing rights on these loans. A copy of the Wholesale Lending Agreement is attached as Exhibit C.

247. In connection with each and every mortgage loan, Defendants Pearl/Platinum warranted that:

a) All documents or instruments submitted to ABN in connection with the mortgage loan are, in every respect, valid and genuine, being what on their face they purport to be, and all information (credit or otherwise) submitted in connection with such mortgage loan package is true and accurate.

b) Platinum/Pearl had no knowledge of any circumstances or conditions with respect to any mortgage loan, mortgage property, the borrower, the mortgagor or

the mortgagor's or borrower's credit standing that can be reasonably expected to cause private institutional investors, FNMA, FHLMC, or GNMA to regard the loan as delinquent or adversely affect the value or marketability of the mortgage loan.

c) Platinum/Pearl had made all disclosures required by state and federal law in an accurate and timely fashion and each mortgage loan and the documentation pertaining thereto complied and conformed with all federal, state, and local regulations applicable thereto.

248. Defendants Platinum/Pearl knowingly and voluntarily participated in Defendants' Flipping Enterprise as Mortgage Hustlers. These Mortgage Hustlers falsified information of loan documents; manipulated credit and employment qualifications of borrowers; ratified inflated appraisals of subject properties; and failed to disclose material information regarding subject properties.

249. In falsifying loan documents and submitting applications replete with misrepresentations, the Mortgage Hustlers breached the express warranties of the Lending Agreement, as enumerated in ¶¶ 248 (a)-(c).

250. As a direct and proximate result of its reliance upon Defendants' breach of the Lending Agreement, Plaintiff has suffered injury to its business and property.

COUNT SIX: CIVIL CONSPIRACY

251. Plaintiffs incorporate by reference Paragraphs 1-250 as if fully restated herein.

252. These facts establish that Defendants engaged in a common-law civil

conspiracy.

V. DEMAND FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

1. An order awarding compensatory damages in an amount that would fully compensate Plaintiff for all economic loss resulting from Defendants' conduct;
2. An order awarding treble damages pursuant to 18 U.S.C. § 1964(c);
3. An order awarding such damages as necessary to prevent unjust enrichment and compensate Plaintiff for injuries arising out of Defendants' violations of federal, state and common law, including, but not limited to, rescission of contracts, removal of property liens, the refund of monies paid, and disgorgement of ill-gotten gains;
4. An order awarding punitive damages to Plaintiff in an amount that would punish Defendants for the willful, wanton and reckless misconduct alleged in this Complaint and that would effectively deter Defendants from future unlawful behavior;
5. An order finding Defendants jointly and severally liable for damages to Plaintiff;
6. An order granting Plaintiff's costs and attorneys' fees;
7. An order for all other legal and equitable relief to which Plaintiff is entitled.

JURY TRIAL DEMAND

Plaintiff requests a jury trial on all issues so triable.

Respectfully submitted,

SHOOK, HARDY & BACON, L.L.P.

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