

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

DOCKETED
JAN 03 2002

FLAGSTAR BANK, FSB,
a federal savings bank,

Plaintiff,

v.

MARK J. HELFAND; ADRIENNE HELFAND;
BEAM FINANCIAL CORPORATION, an Illinois
corporation; NUAGE BENEFITS GROUP,
INC., an Illinois corporation; JACQUELINE
JACKSON; JAMES JACKSON, JR.;
MARIA JACKSON; and PAUL GLICK,

Defendants.

02000206

No. JUDGE JOAN H. LEFKOW

JURY DEMANDED

MAGISTRATE JUDGE ASHMAN

COMPLAINT

Plaintiff, Flagstar Bank, FSB, a federal savings bank ("Flagstar" or the "Bank"), by its attorneys, Thomas J. Cunningham, Andrew R. Gifford, and the law office of Lord Bissell & Brook, complains against Defendants, Mark J. Helfand ("Helfand"); Adrienne Helfand; Beam Financial Corporation, an Illinois corporation ("Beam"); NuAge Benefits Group, Inc., an Illinois corporation ("NuAge"); Jacqueline Jackson; James Jackson, Jr., Maria Jackson, and Paul Glick ("Glick") as follows:

Nature of the Action

1. This is an action brought pursuant to the Racketeer Influenced and Corrupt Organizations Act against persons and entities involved in a scheme to defraud the plaintiff by way of a type of "mortgage flipping."

Parties

2. Flagstar Bank, FSB is a federal savings bank organized pursuant to the laws of the United States. Flagstar's headquarters are located in Troy, Michigan.

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U.S. DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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Flagstar engages in business in the Northern District of Illinois including, among other things, residential mortgage lending.

3. Mark Helfand is an individual and an attorney licensed to practice law in the State of Illinois. Helfand is a resident of the Northern District of Illinois.

4. Adrienne Helfand is an individual and a resident of the Northern District of Illinois. Helfand and Adrienne Helfand are husband and wife.

5. Beam Financial Corporation is an Illinois corporation. On information and belief, Helfand is an officer, director, and/or shareholder of Beam. Adrienne Helfand is the President and Secretary of Beam. Beam's principal place of business is within the Northern District of Illinois. Beam is purportedly in the business of making loans to individuals.

6. NuAge Benefits Group is an Illinois corporation. NuAge's principal place of business is within the Northern District of Illinois. NuAge is purportedly in the business of supplying insurance consulting services.

7. Jacqueline Jackson is an individual and a resident of the Northern District of Illinois. Jacqueline Jackson is the sole shareholder of NuAge. Jacqueline Jackson is also an officer and director of NuAge.

8. James Jackson, Jr. is an individual and a resident of the Northern District of Illinois. James Jackson, Jr. is Jacqueline Jackson's son.

9. Maria Jackson is an individual and a resident of the Northern District of Illinois. Maria Jackson is James Jackson, Jr.'s wife.

10. Paul Glick is an individual and an attorney licensed to practice law in the State of Illinois. On information and belief, Glick is a resident of the Northern District of Illinois.

Jurisdiction and Venue

11. This Court has jurisdiction over the subject matter of this lawsuit pursuant to 28 U.S.C. § 1331, as the cause of action described herein arises under the laws of the United States.

12. The Northern District of Illinois the appropriate venue for this lawsuit pursuant to 28 U.S.C. § 1391, as the defendants are residents of the Northern District of Illinois. In addition, a substantial part of the events giving rise to the claim described herein occurred within the Northern District of Illinois.

Factual Background

Flagstar's Business

13. Flagstar is one of the largest residential mortgage lenders in the United States.

14. Flagstar conducts business in the Northern District of Illinois through the use of "correspondents" who enter into agreements with Flagstar to originate residential mortgage loans for the Bank.

15. Flagstar entered into such agreements with Aarhus & Associates, Ltd., an Illinois corporation ("Aarhus") and Home Financial of America Corporation, an Illinois corporation ("Home Financial"), among others.

16. Correspondents such as Aarhus and Home Financial are responsible for seeking out potential mortgage borrowers ("Applicants"), obtaining information from Applicants regarding their employment, assets, liabilities and creditworthiness, completing applications, obtaining appraisals of property intended to serve as collateral for the proposed loans, and then submitting the applications, appraisals, and related documentation to the Bank for consideration.

17. If the information supplied to the Bank by the correspondent satisfies certain lending criteria, the Bank approves what is frequently referred to as a "table-funded loan" to the Applicant. In a "table-funded loan," the loan documentation is prepared in the name of the correspondent as lender and mortgagee. The Bank supplies the funds loaned to the Applicant at closing, however, and the note, mortgage, and related loan documents are assigned to the Bank at closing.

18. The loans generated in this fashion are frequently sold by Flagstar to the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") or the Governmental National Mortgage Association ("Ginnie Mae"). These entities have their own criteria for determining which loans they will agree to purchase from Flagstar.

19. In addition to certain criteria regarding an Applicant's income and credit worthiness, one of the criteria considered by the Bank in deciding whether to underwrite and purchase any given loan is the ratio of the proposed loan amount to the value of the property that is to serve as collateral for the loan. In this regard, the Bank depends heavily upon appraisals obtained by the correspondents in connection with each loan application.

The Relevant Loans

20. Between June, 1999 and approximately March, 2000, Defendants Jacqueline Jackson, James Jackson, Jr. and Maria Jackson were all employed or otherwise acted as authorized representatives of Home Financial.

21. Jacqueline Jackson, James Jackson, Jr. and Maria Jackson all engaged in activities on behalf of Home Financial such as marketing home mortgages to the public and completing home mortgage applications. On information and belief,

Jacqueline Jackson, James Jackson, Jr. and Maria Jackson were compensated by Home Financial for these activities.

22. Between approximately March, 2000 and June, 2000, Defendants Jacqueline Jackson, James Jackson, Jr. and Maria Jackson were all employed or otherwise acted as authorized representatives of Aarhus.

23. Jacqueline Jackson, James Jackson, Jr. and Maria Jackson all engaged in activities on behalf of Aarhus such as marketing home mortgages to the public and completing home mortgage applications. On information and belief, Jacqueline Jackson, James Jackson, Jr. and Maria Jackson were compensated by Aarhus for these activities.

24. Between June, 1999 and June, 2000, Flagstar agreed to underwrite and purchase at least 42 loans from Aarhus and Home Financial (the "Loans").

25. Flagstar loaned in excess of \$2 million through the Loans.

26. Most, if not all, of the Loans were based upon applications prepared by Jacqueline Jackson, James Jackson, Jr. and Maria Jackson.

27. Most of the Loans were to fund the purchase of properties being sold by Jacqueline Jackson, James Jackson, Jr., Maria Jackson, or Dawn Jackson, or by land trusts whose beneficial interests were owned by Jacqueline Jackson, James Jackson, Jr., Maria Jackson, or Dawn Jackson (sometimes collectively referred to hereafter as the "Jacksons").

28. All but approximately four of the Loans were based upon appraisals conducted by Dawn Jackson.

29. Dawn Jackson is Jacqueline Jackson's daughter and, at all relevant times, was an appraiser licensed by the State of Illinois.

30. Helfand was the attorney for the seller in each of the transactions related to each Loan.

31. Beam, Helfand or Glick purportedly held first mortgages against many of the properties that were sold in the transactions to which the Loans related. Beam, Helfand or Glick's purported mortgages were satisfied as a result of the Loans.

How the Scheme to Defraud Worked

A. Identification of Distressed Properties.

32. The scheme conducted by the Defendants in this case began with the identification of a "distressed" property for sale. Such properties were frequently offered for sale in a foreclosure sale or had already been foreclosed and were owned by a lender. Most of the properties were located in economically depressed areas in the City of Chicago, with a concentration of properties in the zip codes 60619, 60620 and 60621. Most of the properties were either listed for sale at a price below \$50,000, or were actually purchased by one of the Defendants for less than \$50,000.

B. Creation of Fraudulent Appraisal by Dawn Jackson.

33. The second step in the scheme was the creation of a fraudulent appraisal. Dawn Jackson prepared all but four of the appraisals. Most of the appraisals estimated the value of the subject properties at approximately twice their actual value. The appraisals prepared by Dawn Jackson frequently utilized inappropriate comparables and falsely represented the condition of the home on the subject property. Nearly all of the appraisals prepared by Dawn Jackson contained material misstatements and omissions of fact.

34. Dawn Jackson prepared the appraisals on which the Loans were based with the specific intent of defrauding the Bank.

35. Those Loans involving Dawn Jackson as a borrower (in most cases, using her alias, "Dawn Brantley") were based upon appraisals purportedly prepared by Larry Burks. Those appraisals were in fact prepared by Dawn Jackson. In one case, Larry Burks signed the appraisal, in others, Dawn Jackson forged Larry Burks' name on the appraisals.

C. Creation of Land Trusts by Helfand to Shield Identity of Jacksons.

36. The third step in the scheme was the creation of a land trust at Chicago Title Land Trust Company to acquire the subject property.

37. Helfand created each of the land trusts used to acquire the properties involved in the scheme to defraud Flagstar.

D. Loans to Jacksons from Helfand, Beam, and Glick to Acquire Subject Properties.

38. The fourth step in the scheme was to provide the Jacksons (or the land trust whose beneficial interest was owned by one of the Jacksons) with a loan to acquire the subject property. Helfand, Beam and/or Glick supplied the funds used to acquire more than half of the subject properties.

39. Although Helfand, Beam and/or Glick characterized their supply of funds to acquire the subject properties as "loans," in fact many of these "loans" were not evidenced by promissory notes, mortgages, or other documents. Moreover, in many cases, these "loans" were outstanding for only a single day, as the subject properties were purchased on the first day and "resold" the very next day, with the proceeds from the resale (Flagstar's loan) paying off the "loan" from Helfand, Beam or Glick.

40. The purported loans by Helfand, Beam and/or Glick were supported in some cases by promissory notes and mortgages. The mortgages given Helfand, Beam

and/or Glick by the Jacksons or the land trusts owned by the Jacksons were not recorded, however. Instead, these notes and mortgages were created by Helfand only to secure the payment of loan proceeds to Helfand, Beam and/or Glick at closing.

E. Acquisition of Subject Properties by Jacksons.

41. The fifth step in the scheme was to acquire the property. In each case, Helfand represented either the Jacksons or the land trusts whose beneficial interests were owned by the Jacksons in the transaction by which they acquired the subject properties.

F. Recruitment of Straw Purchasers.

42. The sixth step in the scheme was to recruit "straw" purchasers to acquire the subject properties from the Jacksons or the land trusts owned by the Jacksons.

43. Straw purchasers were frequently unemployed persons with poor credit histories. They were told by one or more of the Defendants that their credit could be "fixed" such that they would qualify for a mortgage loan, that they would only own the subject property for a short period of time and that they would not be required to make any loan payments. The straw purchasers were told that after approximately six months, the loan would be "refinanced" or the property sold such that they would no longer have any responsibilities related to the loan. In exchange for agreeing to act as a purchaser, the straw purchasers were paid by one or more of the Defendants.

44. In many cases, the straw purchasers or Applicants were recruited even before the Jacksons acquired the subject properties to be sold to the straw purchasers or Applicants. Some properties were owned by the Jacksons or their land trusts for only a single day before being "sold" to the straw purchaser. In these cases, the straw purchaser had been recruited and applied for a loan with Flagstar long before the Jacksons or their land trust even acquired the subject property.

G. Helfand's Creation of Sale Contracts from Jacksons to Straw Purchasers.

45. The seventh step in the scheme was to create a contract for the sale of the subject properties from the Jacksons or their land trusts to the straw purchasers.

46. Helfand drafted the contracts between the Jacksons or their land trusts and the straw purchasers.

47. The purported "sale" price was frequently at least double, and often as much as four times the amount the Jacksons or their land trusts had paid to acquire the subject property.

48. The sale contracts frequently represented that the straw purchaser would make an earnest money down payment. No such down payments were actually made, however.

49. The sale contracts were typically entered into between the Jacksons or their land trusts and the straw purchasers within one month of the acquisition of the subject property by the Jacksons or their land trusts.

50. In no case were any of the straw purchasers represented by an attorney in connection with the sale contract or subsequent closing. All legal expertise required was supplied by Helfand.

51. No legitimate real estate brokers were involved in the sale of any of the properties from the Jacksons or their land trusts to the straw purchasers. In some cases a brokerage commission was paid to Eduardo Allen or Allen's company, Upright Realty, Inc. In no case was any commission actually owed. Instead, Allen (himself a borrower in three Loans) was, on information and belief, involved in the recruitment of straw purchasers with the Jacksons, and was paid for obtaining the straw purchasers' participation in the scheme.

H. Creation of False, Fraudulent and Forged Documents by Jacksons to Obtain Loans for Straw Purchasers from Flagstar.

52. The eighth step in the scheme was the preparation of a loan application for submission to the Bank. Jacqueline Jackson, James Jackson, Jr. and Maria Jackson were all involved in the preparation of loan applications related to the Loans (the "Applications").

53. In preparing the Applications, the Jacksons utilized NuAge extensively. The Jacksons worked out of NuAge's offices in Calumet City. They frequently falsely represented on Applications that NuAge was the Applicant's employer. Some Applications were supported by false W-2 statements prepared by one or more of the Jacksons showing that the Applicant had received a certain salary from NuAge. Other Applications were supported by false W-2 statements prepared by one or more of the Jacksons showing that the Applicant had received a certain salary from other companies, such as Marathon Mortgage, a company operated by Vaughn Jackson, a relative of the Jacksons.

54. The Applications were based upon false information about the Applicants' employment and income.

55. In several cases, the Jacksons created false letters from purported employers of the Applicants, and forged signatures on those letters to verify the Applicant's employment.

56. The Applications were also frequently based upon false information about the Applicants' assets, including the existence of bank accounts and the balances in those accounts.

57. In some cases, the Applications falsely claimed that the Applicant's maintained bank accounts that the Applicants did not in fact maintain.

58. In some cases, the Applications were supported by forged bank statements or letters purportedly written by bank employees to verify the amounts purportedly maintained in an account owned by the Applicant.

59. In some cases, Helfand or Beam loaned money to the Applicant for a short-period of time for the sole purpose of allowing the Applicant to qualify for a loan from the Bank by proving the Applicant had sufficient funds to close. For example, in the case of a loan to Lisa McGill, an "IOLTA" account was opened at Builders Bank in Chicago on January 19, 2000 with a deposit of \$27,000 and was closed with a withdrawal of that amount on January 20, 2000. An "IOLTA" account may only be opened by an attorney at law. Lisa McGill was not an attorney at law. On information and belief, this account was opened by Helfand in Lisa McGill's name for the sole purpose of proving that Lisa McGill would have sufficient funds available at closing of her purchase of a property from one of the Jacksons using proceeds of a loan from Flagstar.

60. In addition to misrepresentations of employment, income and assets along with forged verifications of employment, income and assets, the Applications were rife with other false information about the Applicants' liabilities, whether Applicants had filed for bankruptcy, whether they were parties to lawsuits and whether there were any outstanding judgments against them.

61. In addition to the misrepresentations contained in the Applications, most of the Loans were intended to be made to borrowers who would occupy the properties purchased as their primary residences. In this regard, the Bank required "occupancy affidavits" in which the Applicants swore, under oath, that they intended to and would occupy the subject properties as their primary residences. With regard to most of the Loans, the occupancy affidavits submitted were false and fraudulent.

62. Miscellaneous other false and fraudulent documents were submitted in support of the Applications. Included among these were false "gift affidavits" purportedly signed by relatives of borrowers to establish the borrowers' ability to supply cash that would be necessary to close the contemplated transactions. Other applications included false social security numbers for the Applicants. In some cases, forged leases were supplied to indicate that properties produced income.

63. The Applications were all submitted to the Bank, along with the inflated appraisals prepared by Dawn Jackson. Each of the Loans was approved by the Bank in reliance upon the Applications and appraisals.

I. Helfand Conducts Closings and Supplies Cash to Close.

64. The ninth step in the scheme was the closing of each Loan. Helfand conducted each closing at the offices of Law Title Insurance Company, Inc., an Illinois corporation.

65. In some cases, the closing of the sale of the subject property from the land trust created by Helfand occurred only a few days after the closing of the transaction by which the land trust acquired the land trust from the original owner. The "sale price" in the second transaction was frequently two to four times the sale price of the first transaction, only days earlier.

66. In connection with each closing, a HUD-1 Settlement Statement was prepared.

67. Helfand was responsible for the information set forth on each HUD-1 Settlement Statement.

68. Each Settlement Statement required each Applicant to submit a certain amount of cash at closing.

69. Many of the Applicants did not supply any cash at closing. Any cash required to close was supplied by Helfand or one of the Jacksons. In at least one case, cash required to close was supplied by Helfand and Adrienne Helfand.

70. On information and belief, none of the Applicants supplied any cash at closing.

71. On information and belief, Helfand supplied all of the cash required to close each and every one of the Loans.

72. Law Title Insurance Company, as closing agent, received and followed certain closing instructions supplied by Flagstar with respect to each Loan. All other directions not contained in the closing instructions were supplied to Law Title Insurance Company by Helfand. Helfand directed Law Title Insurance as to how the loan proceeds were to be disbursed, including the direction that Flagstar loan proceeds be paid to himself in satisfaction of purported "loans."

J. Disbursement of Flagstar Loan Proceeds to Jacksons, NuAge, Helfand, Beam and/or Glick.

73. At closing, any existing mortgages, including the purported mortgages held by Helfand, Beam and/or Glick related to the acquisition of the subject properties, were satisfied using the proceeds of a loan made by Flagstar to the Applicant.

74. Helfand, Beam and/or Glick collected significantly more at each closing than they had actually supplied to acquire the subject properties.

75. After satisfaction of purported existing mortgages and payment of closing costs, the balance of the Flagstar loan proceeds were disbursed to the Jacksons.

76. On information and belief, the Jacksons or Helfand then "kicked back" a portion of the balance of the Flagstar loan proceeds to the Applicant.

77. In some cases, a portion of the Flagstar loan proceeds were disbursed to NuAge for various “fees” allegedly due NuAge, such as a “Repair Service Fee.”

78. A portion of the Flagstar loan proceeds were also disbursed to Helfand at each closing for his “attorneys’ fees” in connection with each transaction. These fees ranged between \$1500 and \$2000 per loan.

Veil Piercing Allegations

79. There is such unity of interest and ownership between Helfand, Adrienne Helfand and Beam that the separate personalities of Helfand and Adrienne Helfand, on the one hand, and Beam, on the other hand, did not exist at any relevant time.

80. Adherence to the fiction of a corporate existence of Beam separate from Helfand and Adrienne Helfand would sanction a fraud, promote injustice, and promote inequitable consequences under the circumstances presented in this case.

81. On information and belief, Beam was, at all relevant times, thinly and inadequately capitalized.

82. On information and belief, Beam failed to observe ordinary corporate formalities, and commingled its funds with those of Helfand and Adrienne Helfand.

83. Helfand and Adrienne Helfand utilized personal funds to support the purported “business” of Beam, and generally treated the assets of Beam as their own personal assets and vice versa.

84. Under the circumstances presented in this case, Beam was operated as a mere façade, alter ego, or instrumentality of its dominant shareholders, officers and directors: Helfand and Adrienne Helfand.

Flagstar’s Damages

85. In most cases, no payments on the Loans were ever made by the Applicants/borrowers.

86. After a number of notices of default and demands for payment had been issued to the applicable Applicant/borrower, Flagstar initiated foreclosure proceedings with respect to a number of the Loans.

87. Flagstar incurred significant expense in the form of inspection fees, review appraisal fees, legal fees and court costs in connection with the foreclosure proceedings.

88. Some of the properties have been sold through foreclosure sales. Those properties that have been sold have sold for far less than the amount Flagstar loaned, resulting in loss to Flagstar.

89. Some of the subject properties have been condemned by the City of Chicago and the houses that existed on some of those properties have been demolished by the City of Chicago.

90. Some of the subject properties have been the subject of housing court complaints by the City of Chicago in which the City has alleged that the properties are abandoned and hazardous. In some cases, the houses are boarded up, or have no plumbing or electricity.

91. As the mortgagee, Flagstar is potentially responsible for the cost of bringing these properties into compliance with the City of Chicago Building Code. In some cases, Flagstar has been forced to abandon its mortgages on such properties to avoid the imposition of such costs, which could easily exceed the value of the property.

92. Flagstar has demanded that Aarhus and Home Financial repurchase the Loans pursuant to agreements entered into between Flagstar and Aarhus and Flagstar and Home Financial. Despite these demands, Aarhus and Home Financial have failed and refused to repurchase the Loans.

93. In May, 2001, Flagstar initiated lawsuits in the Circuit Court of Cook County against Aarhus, Home Financial, and Dawn Jackson, among others, alleging breach of contract, negligent misrepresentation, and professional malpractice (in the case of the appraisers) related to the Loans.

94. Flagstar has incurred considerable fees and expenses in connection with its efforts to enforce its agreements with Aarhus and Home Financial related to the repurchase of the loans, and in connection with its effort to obtain judgments against Dawn Jackson for professional malpractice in connection with the appraisals.

Charging Allegations

95. Defendants have violated the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1962(a) by receiving income derived either directly or indirectly from a pattern of racketeering activity and using that income or proceeds from that income to acquire, establish or operate an enterprise which is engaged in, or the activities of which affect, interstate commerce.

96. Defendants have violated the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1962(c), as each Defendant is employed by or associated with an enterprise engaged in, or the activities of which affect, interstate commerce, and each Defendant furthermore conducts or participates, directly or indirectly, in the conduct of the enterprise's affairs through a pattern of racketeering activity.

97. Defendants have violated the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1962(d) by conspiring to violate subsections (a), (b) and (c) of section 1962.

98. Defendants have engaged in mail fraud in violation of 18 U.S.C. § 1341.

99. Defendants have engaged in wire fraud in violation of 18 U.S.C. § 1343.

100. Defendants have engaged in bank fraud in violation of 18 U.S.C. § 1344.

A. The Defendants were Employed by or Associated with a RICO Enterprise.

101. Each of the Defendants is a person employed by or associated with an enterprise which conducted its affairs through a pattern of racketeering activity.

102. NuAge was at all relevant times an enterprise that was utilized by the Defendants to create and support false and fraudulent loan applications.

103. Beam was at all relevant times an enterprise that was utilized by the Defendants to supply funds necessary to accomplish the goals of the fraudulent scheme and racketeering activities conducted by the Defendants.

104. Mark J. Helfand's law practice was at all relevant times an enterprise that was utilized by the Defendants to prepare legal documents such as contracts, deeds, and mortgages, and to establish the land trusts through which the Defendants conducted their activities, and which was necessary to accomplish the goals of the fraudulent scheme and racketeering activities conducted by the Defendants.

105. Each of the land trusts created by Helfand for the Jacksons to take title to the subject properties constituted an enterprise through which the Defendants conducted racketeering activities.

B. The Defendants Engaged in Racketeering Activity.

106. Each of the Defendants, and each of the enterprises described herein, has engaged in at least two acts of racketeering activity within the ten-year period prior to the filing of this Complaint, including numerous acts of mail fraud, wire fraud, and bank fraud.

107. Each Defendant acted with the specific intent of defrauding the Bank.

108. Each Defendant has obtained money from Flagstar directly or indirectly by means of false or fraudulent pretenses, and each Defendant has knowingly

participated in a scheme to obtain money from Flagstar by means of false or fraudulent pretenses.

109. Helfand, Beam and Glick supplied the necessary funds to allow the scheme to function. Without their participation and agreement to supply funds necessary to acquire the subject properties, the scheme would not have worked.

110. Each Defendant knowingly profited from the scheme at the expense of the Bank.

111. Applicants were recruited by the Defendants with the specific intent of obtaining loans that exceeded the actual value of the subject properties, supported by a false and inflated appraisal and false information contained in loan applications.

112. Each land trust that first acquired, then sold, the subject properties was created by Defendants with the specific intention of shielding the true identity of the Jacksons from the Bank and making it more difficult for the Bank to discover the continuity of relationships between and among the seller, the appraiser, and the loan officer in connection with each Loan.

113. The contracts between the Jacksons and/or the Land Trusts and the Applicants were created by Helfand and the Jacksons with the specific intent of defrauding the Bank.

114. The Applications containing false information were created by the Jacksons with the specific intent of defrauding the Bank.

115. The false and forged documents supplied to the Bank in connection with the Applications were created by the Jacksons with the specific intent of defrauding the Bank.

116. The inflated appraisals supplied to the Bank in connection with the Applications were prepared by Dawn Jackson with the specific intent of defrauding the Bank.

117. The Applications and Appraisals contained materially false information.

118. The Bank reasonably relied upon the Applications, Appraisals, and other documents submitted in connection with the Applications and Appraisals in making its decisions to underwrite and purchase the Loans.

119. The Defendants used the U.S. Mail in furtherance of the scheme by mailing Applications, Appraisals and other documents to the Bank and to each other.

120. The Defendants also used "wires" in furtherance of the scheme by faxing Applications, Appraisals and other documents to the Bank and to each other.

121. The Bank utilized the U.S. Mail and/or wires to supply the loan proceeds for closing each Loan.

122. The U.S. Mail and wires were used by the Defendants to promote, reap the benefits of, and to help conceal their scheme to defraud the Bank.

123. The Defendants' conduct was continuous between June, 1999 and June, 2000. On information and belief, after June, 2000, the Defendants continued their activities but sought loans from lenders other than the Bank.

124. The Defendants created approximately 40 loan applications containing materially false information. Most of these applications were supported by one or more additional documents that were either outright forgeries or otherwise contained materially false information. Each loan application was supported by an appraisal that contained materially false information and in which the estimate of value was intentionally and materially overstated.

125. The Defendants engaged in the knowing and intentional continuous operation of the scheme described in this complaint for a period of one year.

C. The Defendants Engaged in a RICO Conspiracy.

126. An implicit or explicit agreement existed between and among all of the Defendants to engage in the scheme described in this Complaint and to take actions necessary to accomplish the goals of the scheme. Each Defendant had knowledge of the agreement and voluntarily participated in the scheme.

D. The Defendants' Conduct Has Proximately Caused Flagstar's Damages.

127. The Bank actually and reasonably relied upon the information contained in the Applications and Appraisals.

128. As a direct and proximate result of the Bank's reasonable reliance upon the information contained in the Applications and Appraisals, the Bank has suffered damages, including loss of loan principal, fees and costs incurred such as inspection fees and review appraisal fees, legal fees and costs in connection with foreclosure actions, legal fees and costs in connection with lawsuits against Aarhus, Home Financial, Dawn Jackson and other appraisers, and legal fees and costs in connection with this lawsuit.

129. The Defendants' acts and conduct proximately caused the Bank's damages.

JURY DEMAND

130. Plaintiff hereby requests trial by jury.

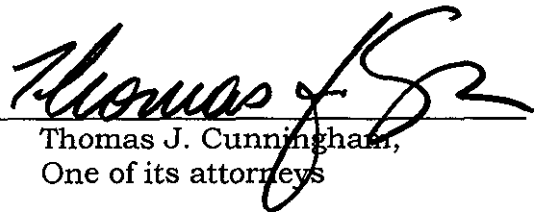
WHEREFORE, Plaintiff Flagstar Bank, FSB, a federal savings bank, respectfully requests entry of judgment in its favor and against the Defendants, jointly and severally, for:

- A. treble damages in an amount three times the amount of actual damages incurred, including:
 - i.) any remaining unpaid principal balances of the Loans;
 - ii.) any fees, commissions, or other compensation paid to Aarhus or Home Financial by the Bank in connection with the Loans;
 - iii.) any unreimbursed costs incurred by Flagstar at the closings of the Loans;
 - iv.) any fees incurred by the Bank in connection with inspections and review appraisals;
 - v.) legal fees and costs incurred in connection with housing court and condemnation cases initiated by the City of Chicago in relation to the subject properties;
 - vi.) legal fees and costs incurred in connection with the foreclosure proceedings brought in connection with the Loans;
- B. attorneys' fees and costs incurred in connection with this action and the actions brought against Aarhus, Home Financial, Dawn Jackson and other appraisers in the Circuit Court of Cook County;
- C. pre-judgment interest; and
- D. such further and additional relief as this Court may determine just and equitable.

Respectfully Submitted,

FLAGSTAR BANK, FSB

By: _____

A handwritten signature in black ink, appearing to read "Thomas J. Cunningham", written over a horizontal line.

Thomas J. Cunningham,
One of its attorneys

Thomas J. Cunningham (6215928)
Andrew R. Gifford (6244504)
LORD BISSELL & BROOK
115 South LaSalle Street
Chicago, Illinois 60603
Telephone 312-443-1731
Facsimile 312-896-6731

JS 44
(Rev. 07/89)

CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by the rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the filing and docketing sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I (a) PLAINTIFFS

FLAGSTAR BANK, FSB, a federal savings bank

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF Oakland
(EXCEPT IN U.S. PLAINTIFF CASES)

DEFENDANTS JUDGE JOAN H. LEFKOW
MARK J. HELFAND, ADRIENNE HELFAND, BEAM FINANCIAL CORPORATION, NUAGE BENEFITS GROUP, INC., JACQUELINE JACKSON, JAMES JACKSON, JR., MARIA JACKSON, AND PAUL GLICK

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT _____
(IN U.S. PLAINTIFF CASES ONLY)
NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED

(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)

LORD BISSELL & BROOK
115 South LaSalle Street
Chicago, IL 60603
312-443-1731

ATTORNEYS (IF KNOWN)

DOCKETED
JAN 03 2002
MAGISTRATE JUDGE ASPRIAN
COURT

II. BASIS OF JURISDICTION (PLACE AN X IN ONE BOX ONLY)

- 1 U.S. Government Plaintiff
 2 U.S. Government Defendant
 3 Federal Question (U.S. Government Not a Party)
 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN X IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)

- | | | | |
|-----------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Citizen of This State | PTF DEF <input type="checkbox"/> 1 <input type="checkbox"/> 1 | Incorporated or Principal Place of Business in This State | PTF DEF <input type="checkbox"/> 4 <input type="checkbox"/> 4 |
| Citizen of Another State | <input type="checkbox"/> 2 <input type="checkbox"/> 2 | Incorporated and Principal Place of Business in Another State | <input type="checkbox"/> 5 <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 <input type="checkbox"/> 3 | Foreign Nation | <input type="checkbox"/> 6 <input type="checkbox"/> 6 |

IV. CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE. DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY)

Unlawful conduct pursuant to 18 U.S.C. § 1962, including mail fraud, wire fraud and bank fraud, as well as conspiracy to commit same.

V. NATURE OF SUIT (PLACE AN X IN ONE BOX ONLY)

CONTRACT	TORTS		FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability	PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury	PERSONAL INJURY <input type="checkbox"/> 362 Personal Injury—Med Malpractice <input type="checkbox"/> 365 Personal Injury—Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark SOCIAL SECURITY <input type="checkbox"/> 861 HIA (1395f) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce/ICC Rates <input type="checkbox"/> 460 Deportation <input checked="" type="checkbox"/> 470 Racketeer Influenced Corrupt Organizations <input type="checkbox"/> 810 Securities Service <input type="checkbox"/> 850 Securities/Commodity Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matter <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes <input type="checkbox"/> 890 Other Statutory Actions
REAL PROPERTY	CIVIL RIGHTS	PRISONER PETITIONS			
<input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 440 Other Civil Rights	<input type="checkbox"/> 510 Motions to Vacate Sentence Habeas Corpus: <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights			

VI. ORIGIN (PLACE AN X IN ONE BOX ONLY)

- 1 Original Proceeding
 2 Removed from State Court
 3 Remanded from Appellate Court
 4 Reinstated or Reopened
 5 Transferred from another district (specify) _____
 6 Multidistrict Litigation
 7 Appeal to District Judge from Magistrate Judgment

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23 **DEMAND \$** Approx. \$2 mil **JURY DEMAND:** YES NO

VIII. REMARKS

In response to is not a refiling of a previously dismissed action **General Rule 2.21D(2)** this case is a refiling of case number _____ of Judge _____

DATE SIGNATURE OF ATTORNEY OF RECORD

January 2, 2002

Thomas J. [Signature]

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS**

Eastern Division

In the Matter of

FLAGSTAR BANK, FSB, Plaintiff,

v.

MARK J. HELFAND, et al., Defendants

DOCKETED

JAN 03 2002

020 0026

Case Number **02-2118-008**
 JUDGE **JOAN H. LEFKOW**
 MAGISTRATE JUDGE **JOAN H. LEFKOW**

APPEARANCES ARE HEREBY FILED BY THE UNDERSIGNED AS ATTORNEY(S) FOR:

FLAGSTAR BANK, FSB

(A)		(B)	
SIGNATURE <i>Thomas J. Cunningham</i>		SIGNATURE <i>Andrew R. Gifford</i>	
NAME Thomas J. Cunningham		NAME Andrew R. Gifford	
FIRM LORD BISSELL & BROOK		FIRM LORD BISSELL & BROOK	
STREET ADDRESS 115 South LaSalle Street		STREET ADDRESS 115 South LaSalle Street	
CITY/STATE/ZIP Chicago, IL 60603		CITY/STATE/ZIP Chicago, IL 60603	
TELEPHONE NUMBER (312) 443-1731		TELEPHONE NUMBER (312) 443-1733	
IDENTIFICATION NUMBER (SEE ITEM 4 ON REVERSE) 6215928		IDENTIFICATION NUMBER (SEE ITEM 4 ON REVERSE) 6244504	
MEMBER OF TRIAL BAR?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>	MEMBER OF TRIAL BAR?	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
TRIAL ATTORNEY?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>	TRIAL ATTORNEY?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
		DESIGNATED AS LOCAL COUNSEL?	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
(C)		(D)	
SIGNATURE		SIGNATURE	
NAME		NAME	
FIRM		FIRM	
STREET ADDRESS		STREET ADDRESS	
CITY/STATE/ZIP		CITY/STATE/ZIP	
TELEPHONE NUMBER		TELEPHONE NUMBER	
IDENTIFICATION NUMBER (SEE ITEM 4 ON REVERSE)		IDENTIFICATION NUMBER (SEE ITEM 4 ON REVERSE)	
MEMBER OF TRIAL BAR?	YES <input type="checkbox"/> NO <input type="checkbox"/>	MEMBER OF TRIAL BAR?	YES <input type="checkbox"/> NO <input type="checkbox"/>
TRIAL ATTORNEY?	YES <input type="checkbox"/> NO <input type="checkbox"/>	TRIAL ATTORNEY?	YES <input type="checkbox"/> NO <input type="checkbox"/>
DESIGNATED AS LOCAL COUNSEL?	YES <input type="checkbox"/> NO <input type="checkbox"/>	DESIGNATED AS LOCAL COUNSEL?	YES <input type="checkbox"/> NO <input type="checkbox"/>

U.S. DISTRICT COURT
 JAN 11 2 11 PM '02
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