

<p>COLE, SCHOTZ, MEISEL, FORMAN & LEONARD, P.A. A Professional Corporation Court Plaza North 25 Main Street P. O. Box 800 Hackensack, New Jersey 07602-0800 (201) 489-3000 (201) 489-1536 Facsimile Special Counsel for Charles M. Forman, Chapter 7 Trustee Michael D. Sirota Stuart M. Komrower Steven L. Klepper</p>	<p>UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF NEW JERSEY HON. DONALD H. STECKROTH</p> <p>CASE NO. 05-60442 (DHS)</p>
<p>In Re:</p> <p>NJ AFFORDABLE HOMES CORP.,</p> <p style="text-align: center;">Debtor.</p>	<p style="text-align: center;">CHAPTER 7</p>
<p>CHARLES M. FORMAN, as the Chapter 7 Trustee for NJ Affordable Homes Corp.,</p> <p style="text-align: center;">Plaintiff,</p> <p>v.</p> <p>FIRST UNITED MORTGAGE COMPANY, INC., and JOSEPH D. NATALE,</p> <p style="text-align: center;">Defendants.</p>	<p>Adv. Pro. 07-</p>

COMPLAINT

Charles M. Forman, the duly appointed chapter 7 trustee (the "Trustee") for NJ Affordable Homes Corp. (the "Debtor" or "NJAH"), through his special counsel, Cole, Schotz, Meisel, Forman & Leonard, P.A., as and for his Complaint against First United Mortgage

Company, Inc. (“First United”), and its President and CEO, Joseph D. Natale (“Joseph”), together, (the “Defendants”), alleges as follows:

INTRODUCTION

1. At all relevant times, Wayne Puff ("Puff") served as the Debtor’s President.
2. Puff used the Debtor and others to defraud hundreds of people out of tens of millions of dollars.
3. Puff intentionally relied on fraudulent and materially misleading real property appraisals to induce investors to invest funds with the Debtor in return for mortgages that far exceeded the actual value of the mortgaged properties and offered rates of return that far exceeded rates otherwise available in the relevant market place.
4. To the extent that any given investor holds a mortgage on an income-producing property or valuable property, it is mere happenstance. To the extent that any given investor holds a mortgage on an undeveloped property with little value, it also is mere happenstance.
5. Also as part of the scheme, Puff used employees, the Debtor’s investors, or others as shell property “buyers” to purportedly acquire properties from the Debtor, its affiliates, or other investors at no cost to themselves, and to obtain tens of millions of dollars from loans provided by third-party financial institutions.
6. The Defendants assisted Puff or the Debtor in many of these transactions by processing mortgage loan applications and issuing or granting mortgages which were then sold and assigned to one or more banks [also referred to herein as “institutional lenders”] such as, and not limited to Washington Mutual Bank (“WaMu”), Countrywide Lending (“Countrywide”), Credit Suisse First Boston (“CSFB”) and others, usually on the same day that the notes and mortgages were signed.

7. The Defendants' ability to process and issue (or grant) and sell the aforesaid mortgages was greatly facilitated by the Defendants' repeated failures to honor or abide by the standards of conduct (whether contractual, or pursuant to mortgage lending/direct underwriting guidelines) applicable to First United and its employees, and by their repeated breaches of the representations and warranties First United made to banks, government agencies, and others as an approved Direct Underwriting mortgage loan broker/seller.

8. While these properties were nominally titled in individual names, Puff retained exclusive control over such properties acting through the Debtor or one or more of its affiliates. The Debtor or its affiliates exercised the traditional indicia of property ownership.

9. The Debtor and Puff randomly placed title to properties in the nominees' names without their input or control.

10. To the extent that any given nominee holds or held title to an income producing property or valuable property, it is mere happenstance. To the extent that any given nominee holds or held title to an undeveloped property with little value, it also is mere happenstance.

11. Through these schemes and others, Puff caused the Debtor to incur debts far beyond its ability to pay, and diverted significant funds for his personal benefit and for the personal benefit of his family, the Defendants, friends and co-conspirators.

12. Eager to profit from the fees and other payments that each received from the mortgage loan closings on behalf of "buyers" and borrowers who were steered to it by the Debtor and its affiliates, the Defendants, among other things: (i) repeatedly ignored numerous "red flags", i.e. indicators of highly-questionable information, that were known to their employees and that were in their business records, including their loan files, concerning mortgage loan applications and supporting documentation supplied by the Debtor, as well as numerous red flags

that were known to their employees and that were in their business records including their loan files, concerning the Debtor, its fraudulent operations and its insolvency; and (ii) aided and abetted Puff in defrauding and causing related harm to the Debtor and others.

13. On behalf of all persons and entities harmed by the fraudulent and unlawful activities described in this Complaint, the Trustee is seeking damages from the Defendants on account of their failure to provide honest mortgage broker or mortgage banker's services, and their participation in the fraudulent schemes described herein.

JURISDICTION AND VENUE

14. This Court has jurisdiction over this adversary proceeding pursuant to 28 U.S.C. §§ 1334 and 157, pursuant to 11 U.S.C. §§ 105, 108, 541, 544, 547, 548, 550 and 551, pursuant to N.J.S.A. 25:2-1, *et seq.*, and pursuant to Bankruptcy Rule 7001(1), (2) and (8).

15. This adversary proceeding is a core proceeding as that term is defined in 28 U.S.C. § 157(b)(A), (B), (F), (H), (K) and (O).

16. This adversary proceeding arises under the United States Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the "Bankruptcy Code"), and arises in and relates to a chapter 7 case pending in this District.

17. Venue is proper before this Court pursuant to 28 U.S.C. § 1409(a).

THE PARTIES

18. On November 23, 2005, the Office of the United States Trustee appointed the Trustee to serve as the chapter 7 Trustee for the Debtor's bankruptcy estate.

19. Upon information and belief, First United is a business corporation licensed by the State of New Jersey to conduct mortgage brokerage and mortgage banking business, with a principal office at 216 North Ave. East, Cranford, New Jersey 07016.

20. Joseph is an adult individual resident of New Jersey, with a place of business at 216 North Ave. East, Cranford, New Jersey 07016.

21. Upon information and belief, Joseph is the President, CEO and a Director of First United.

22. Joseph's signature appears on various loan applications and loan commitments by First United for a number of the loan transactions identified in this Complaint, and upon information and belief, Joseph's personal involvement in the fraud and related activities set forth in this Complaint extended beyond the specific transactions identified herein.

FACTUAL BACKGROUND

A. Various Investigations of the Debtor

23. In 2002, the State of New Jersey commenced an action against the Debtor (the "New Jersey Action") after an investigation by New Jersey's Bureau of Securities that resulted in the entry of a Consent Order in which the Debtor agreed to comply with the State's securities laws and to offer rescission rights to investors whose mortgages were "pooled" with others on a single property (the "NJ Consent Order").

24. Each of the Defendants was, or should have been, aware of the New Jersey Action and the NJ Consent Order.

25. In 2004, the Commonwealth of Pennsylvania issued a Cease and Desist Order, on consent, barring the Debtor and Puff from issuing securities in Pennsylvania. That Order contained findings that the Debtor failed to make material disclosures and willfully violated Pennsylvania's securities laws.

26. On September 12, 2005, the U.S. Securities and Exchange Commission (the "SEC") filed a Verified Complaint against the Debtor and Puff in the United States District Court

for the District of New Jersey (the "District Court"), Civil Action No. 05 Civ. 4403 (the "SEC Action").

27. The SEC's Complaint was verified by Terrance P. Bohan, the Branch Chief at the Northeast Regional Office of the SEC, after the SEC conducted interviews of Kenneth Lagonia, the Debtor's employees and investors, and after the SEC reviewed documents obtained from the Debtor and other sources.

28. In its Complaint, the SEC alleged an elaborate scheme in which the Debtor and Puff engaged in unregistered and fraudulent offerings of securities to raise more than \$40 million from at least 490 investors in New Jersey and other parts of the United States.

29. The securities offered by the Debtor included promissory notes purportedly secured by real estate mortgages, investment contracts and other evidences of indebtedness.

30. In its pleadings filed in the SEC Action, the SEC explained that the Debtor and Puff intentionally misled investors by failing to disclose that: (i) the real properties purportedly securing the notes that were sold to investors were overvalued; (ii) the liabilities to investors greatly exceeded the Debtor's assets; (iii) the Debtor and Puff were using funds raised from new investors to pay interest and principal to prior investors, in true Ponzi-scheme fashion; (iv) neither the Debtor nor Puff could economically sustain or legitimately provide annual returns of fifteen percent (15%) or greater; and (v) the Debtor was transferring substantial funds and assets to Puff, his family and others.

31. On September 12, 2005, the District Court entered an Order to Show Cause, Temporary Restraining Order and Order Freezing Assets and Granting Other Relief (the "TRO") in the SEC Action, pursuant to which the Debtor, Puff, their affiliated entities and others were

directed to preserve their assets and were restrained from selling, encumbering, transferring or otherwise disposing of their assets.

32. Also in the TRO, the District Court appointed the Honorable Nicholas H. Politan to serve as the Receiver for the Debtor with the powers and responsibilities, among others, to: (i) take control of the Debtor's assets, including all financial accounts, and books and records; (ii) use funds collected to preserve the Debtor's assets and the properties held in the names of the Debtor, the "Affiliated Entities" (as defined in the TRO) and the investors; (iii) investigate assets that may have been impermissibly transferred to others; and (iv) investigate the Debtor's disposition of funds derived from its unlawful sale of securities.

33. On September 26, 2005, the District Court entered an Order Granting Preliminary Injunction and Other Relief on Consent (the "PIO") in the SEC Action, continuing the restraints imposed and the Receiver's powers set forth in the TRO. Puff and the Debtor consented to the entry of the PIO through counsel.

34. On October 5, 2005, the District Court entered an Amended Order Modifying and Granting Preliminary Relief Injunction and Other Relief in the Commission's Action (the "Amended PIO") in the SEC Action, which authorized the Receiver to: (i) implement a sales process for the properties owned by the Debtor, the "Affiliated Entities" and the investors; (ii) implement a process to fairly and equitably resolve the investors' claims and competing interests to the real properties; and (iii), institute proceedings to recover unlawful transfers from the Debtor and others to third parties.

35. The Amended PIO also imposed significant protections for the investors by enjoining third parties from suing the investors to collect a debt arising from transactions involving the Debtor, Puff or the "Affiliated Entities," or from foreclosing on properties titled in

the investors' names that were traceable to transactions involving the Debtor, Puff or the "Affiliated Entities."

36. The Amended PIO imposed similar restraints on actions against the Debtor, the "Affiliated Entities," and Puff's relatives including Kyu Nam Park, Gary Puff and Bruce Puff.

37. On October 31, 2005, the Receiver filed his preliminary Report with the District Court.

38. Based on the Report, the District Court entered an Order authorizing the Receiver to file this chapter 7 case.

39. On November 22, 2005 (the "Petition Date"), the Receiver filed a voluntary petition on behalf of the Debtor for relief under chapter 7 of the Bankruptcy Code.

B. The Ponzi Scheme, Generally

40. The Debtor is an insolvent New Jersey corporation that had offices in Woodbridge and Perth Amboy, New Jersey. It operated as a real estate investment company that purported to use funds borrowed from individuals and financial institutions to purchase residential and commercial properties, renovate the properties, and sell the properties at a profit.

41. Prior to the Petition Date, Puff used the Debtor to operate a "Ponzi" scheme to defraud investors and others.

42. In typical "Ponzi" scheme fashion, the Debtor and Puff relied on raising money from new investors and financial institutions to pay the promised returns to earlier investors and other debts .

43. As part of their various schemes, Puff obtained investments and financing, and justified the financed amounts, by obtaining or using materially fraudulent appraisals that greatly overstated the value of properties acquired or to be renovated by the Debtor, and/or by churning

the sales of properties to and among the Debtor's Affiliates and the Debtor's investors to justify higher loan amounts.

44. In defrauding the Debtor's investors and others, Puff failed to disclose, among other things, that: (i) the real properties purportedly securing the notes that were sold to investors were overvalued; (ii) the properties placed in investors' names were overvalued; (iii) the Debtor's liabilities to investors greatly exceeded its assets; (iv) the Debtor and Puff were using funds raised from new investors to pay interest and principal to prior investors; (v) neither the Debtor nor Puff could economically sustain or legitimately provide the excessive annual returns that were promised to investors; and (vi) the Debtor was transferring substantial funds and assets to Puff, his family members and others, including the Defendants.

45. In assisting the Debtor and/or Puff in many of these transactions, First United prepared and/or maintained loan files reflecting information that allegedly concerned the purported borrower/nominal "buyer" for a given property, and the property itself, including but not limited to multiple copies of the Loan Application, a HUD-1 Settlement Statement, supporting documentation such as statements of account for the borrower with NJAH or an Affiliate, one or more alleged leases for the property (almost all of which were investment properties intended to be leased to one or more tenants), employment information, title insurance commitments with various schedules, and similar documents.

46. Many of the loan files maintained by First United contained at least one red flag regarding the creditworthiness of the "borrower" or the value of the property being purportedly relied upon by First United in submitting the loan application for underwriting, despite First United's possession of contradictory information.

47. According to a letter written by Joseph, mortgage loan applications submitted by or for the Debtor's investors were treated as a "house account", and the loan applications were all processed by one person. Limiting the processing of mortgage loan applications by the Debtor's investors to one person could, and should, have led to development of expertise and a knowledge base that would have made it difficult to provide inconsistent information regarding the same person in multiple applications without those inconsistencies being spotted. Similarly, one loan processor handling all of these applications should have developed a knowledge base concerning properties that were purportedly being sold by the Debtor or its Affiliates to the investors, as well as a recollection of certain issues and red flags that appeared repeatedly.

48. Indeed, in a letter to WaMu responding to an inquiry concerning its mortgage loan application/underwriting/sales practices, Joseph claimed that "based on our knowledge of an existing relationship between the seller and the investment purchasers, we sought to more fully verify the funds shown in NJAH deposit accounts, ..." First United's loan files indicate otherwise.

49. Some of the Debtor's employees prepared and/or completed loan applications and other supporting documentation for a purported borrower/buyer's mortgage loan application, which was then forwarded or supplied to First United. Four of the aforesaid employees, i.e., John Kurzel, Kristina Arrington, Lucesia Santiago and John Morris, each pled guilty in Federal District Court to charges of conspiracy to commit wire fraud in connection with their knowing and intentional submission and preparation of materially fraudulent loan applications and supporting documents, including and not limited to fictitious leases for investment properties, investor "account statements" for non-existent investments/accounts, fictitious employment records, and lists of phantom "repairs" or "improvements" to various properties for

appraisal/valuation purposes. Upon information and belief, the Plaintiff avers that none of the Debtor employees who prepared mortgage loan applications and/or supporting documentation for those mortgage loan applications was registered with the State of New Jersey as a mortgage loan solicitor.

50. Each of the Defendants knew, or should have known of, these facts.

51. The "lifblood" of the Debtor's fraudulent operations was funds fraudulently obtained from investors and others.

C. The Title Scam

52. Puff induced various investors to serve as shills to take title to various properties and to use their credit to acquire properties.

53. This scam was known as the "your credit, my money" program or the "50/50" program.

54. In a typical transaction, Puff would arrange for the investor to purportedly "buy" a property from the Debtor, one of the Debtor's Affiliates, or another investor.

55. The nominee/investors were not required to fund the down payment or to pay any of the acquisition costs for these "sales". Instead, Puff arranged for the acquisition costs to be funded from investments obtained by other investors in unrelated mortgage transactions, arranged for false Settlement Statements to be prepared to conceal that the nominees were not paying a cent to take title in their names despite entries for "Cash from Borrower" and ""deposit" or "down payment" on the Settlement Statements, and arranged for the nominee/investors to borrow funds to purportedly purchase the property from a traditional financial institution in his or her own name, even though the proceeds of the loan were remitted to the Debtor or to Puff.

56. Puff either provided the nominee/investors with an attorney who purportedly was to represent them during the closing, or the Debtor and Puff instructed the nominee/investors regarding whom they should retain. In either case, the attorney, who was selected by Puff, regularly performed legal services for the Debtor and Puff or one or more of the Debtor's Affiliates, and performed services for the Debtor, one or more of its Affiliates, or Puff at the closing while purportedly representing the nominee/investor(s).

57. Anthony Natale, Esq. ("Anthony"), brother of Defendant Joseph, purportedly served as the "Buyer(s)/Borrower(s) attorney" at most of the closings involving First United.

58. The Trustee believes, based upon deposition testimony given to the SEC by a former NJAH employee, that Anthony was the individual who originated or championed the practice of creating entries in Settlement Statements for closings with investors/nominees in which the amount of "cash from Borrower(s)" required for the closing would be offset by one or more false entries reflecting one or more deductions from "Seller's cash" going to the Debtor, an Affiliate, or both.

59. Even though a property was purportedly titled in a nominee/investor's name, Puff caused the Debtor or one of its Affiliates to pay the mortgage(s), taxes, insurance and related payments from its commingled funds during the period of ownership.

60. In these transactions, the nominee/investors typically did not select the property to be titled their name and most likely never visited the property.

61. Indeed, in a declaration filed in the SEC Action, Mr. Bohan explained that the SEC had confirmed that "[the Debtor] use[d] its stable of investors as straw men to purchase properties from [the Debtor's] Affiliates or previous purchasers" and set forth the specifics of an example of such a transaction involving Patrick Waggoner.

62. Mr. Bohan then concluded that:

As Mr. Waggoner's experience makes clear, through sales to nominee buyers -- buyers [the Debtor] finds and whose credit [the Debtor] uses to obtain mortgages used to fund the transactions -- [the Debtor] achieves three goals: it retains full control over the properties, it records a sale that reflects an ever increasing valuation on the properties, and it collects mortgage proceeds it uses to pay off its obligations to existing investors. But it also assumes new obligations in the form of mortgage payments it agrees to pay that are not reflected on its balance sheet.

63. Again, the Debtor and Puff obtained investments and financing and justified the investment and financed amounts by obtaining or using materially fraudulent appraisals that greatly overstated the value of the properties acquired or to be renovated.

64. Puff also repeatedly caused the transfer of title to properties among numerous Affiliates and nominee/investors at increasing sale prices to artificially inflate the apparent value of such properties. Several examples of this practice will be set forth in sub-section E, below.

65. In many cases, the same attorneys, one of whom is Anthony, the brother of Defendant Joseph, and notaries appeared on the deeds and mortgages in the chain of title time and again.

66. In many cases, the mortgages and mortgage notes were not actually signed by the nominee/borrowers, but were executed by Puff, one of the Debtor's investor/employees such as Jeffrey Neuman, or other representatives and agents of the Debtor acting pursuant to alleged Powers of Attorney.

67. In some cases, Puff, one of the Debtor's employees, or one of the Debtor's agents acted as the attorney-in-fact for the nominee/investors for all purposes in the transaction, including and not limited to execution of purported mortgage documents. However, not all of the alleged Powers of Attorney that were referred to were actually executed or were recorded.

68. Upon information and belief, Puff fraudulently obtained Powers of Attorney from investors through letters that read as follows:

Dear Investor:

Occasionally we need to exchange information with either the Mortgage Company, Bank or Government Agency that needs information on the property or properties which you have purchased under our Investor, Participator or Partnership Program. In many cases, those entities will refuse to discuss or exchange this information with NJ Affordable even though we may be designated as your Mortgage Company stating that we are a third party and not the owner of record.

Therefore, we have created a Special Specific Power of Attorney for each property or properties which we now manage on your behalf. This will make it easier for us to exchange monthly payment information, tax, utility information and the like as we will maintain an original copy of same in our files.

May we kindly ask that you sign a form specific for each property, have same notarized and return back to us at your earliest convenience. Please contact us should you have any further questions or desire additional information. Thank you.

69. Upon information and belief, Puff used this letter to induce investors to provide executed powers of attorney so that Puff could execute deeds and mortgage documents on the investors' behalf and without their knowledge.

70. In many cases, purported mortgage documents were not acknowledged or witnessed, or the acknowledgements were defective.

71. Kenneth Lagonia, one of the Debtor's former employees who also served as a Notary, admitted during his deposition taken by the SEC that although he notarized numerous documents for many closings involving the Debtor or one of its Affiliates, he had never attended a single closing (and thus, did not witness any of the purported signatures in question). He routinely notarized groups of documents that were presented to him some time after the closing(s) had taken place.

72. Mr. Lagonia testified during his deposition that "the banks" (which included First United) had to have known that the Debtor was assuming responsibility for payment of the

mortgages which First United (and others) had issued and assigned to bank lenders, because of the close relationship between Puff and Anthony.

73. First United's loan files are replete with documented evidence supporting Mr. Lagonia's statement that "the banks" (including First United) had to have known that the Debtor was assuming responsibility for payment of the mortgages which First United (and others) had issued and assigned to bank lenders. Many of the loan files hold evidence showing that the Debtor or one of its Affiliates was tendering mortgage payments on one or more checking accounts in their name(s) for many of the loans issued or brokered by First United, including, and not limited to, copies of checks, correspondence, and notices regarding the properties in question having been directed to the Debtor's business address.

74. In some cases, no deed was recorded in the name of a proposed seller to a nominee/investor.

75. Each of the Defendants actively assisted Puff and the Debtor by serving as the mortgage broker or mortgage banker for the nominee/investors in many of these transactions.

76. Many of the mortgage loans at issue in this Complaint were sold and assigned to WaMu, and those transactions were subject to WaMu's Correspondent Lending Seller Guide (the "Guide"), and a Correspondent Purchase and Sale Agreement.¹ Portions of the Guide of

¹ The Trustee has commenced adversary proceedings against certain institutional lenders that acquired loans from First United. This discussion is not intended and should not be construed to suggest that such institutional lenders acted in good faith in acquiring the loans in question in those adversary proceedings. Those institutional lenders, including but not limited to WaMu, had full access to First United's loan files for the "transactions" and should have had knowledge of the red flags discussed in paragraphs 73, 74, 79 and 81 that appeared again and again in these files. Upon information and belief, the majority of the mortgage loans in issue did not conform to the underwriting criteria used by the institutional lenders or imposed on First United, and the institutional lenders did not review the loan files and related documents before acquiring the loans. If, on the other hand, the institutional lenders did review the loan files in question, then they had actual knowledge of the fraud and other highly improper actions complained of herein. In either case, the institutional lenders cannot claim that they were misled.

particular importance in understanding the standard of behavior expected of the Defendants are set forth below:

Section 401.06 Credit File Documentation, Low Doc (Stated Income) Program

... Low Doc (Stated Income) processing is not available to builders who are refinancing an existing mortgage loan. These mortgage loans are potentially “builder bailout loans”. Washington Mutual considers such mortgage loans to be high risk and, therefore, income must be fully documented.

Section 403.04 Income Calculation

I. Rental Income Verification of net real estate income requires copies of complete signed federal tax returns with all attachments and schedules **and current, fully executed leases for all rental units. For qualifying purposes, 75% of the rental income** shown on the lease **net of mortgage payments, if any**, made by the applicant with respect to the rental property may be added to the applicant’s net income or long-term debt payments, as described below. If the cash flow is positive, it may be added to the applicant’s income. If the cash flow is negative, it must be added to the applicant’s long-term debt payments. (emphasis added)

Section 501.02 Closing Documents

E. Due-on-Sale Clause The note and mortgage must contain a due-on-sale clause which complies with the requirements of the applicable mortgage loan program. Refer to the product description for each mortgage loan program appearing in Section 200 regarding assumability features.

L. Occupancy Rider

Washington Mutual encourages the use of an Occupancy Rider for conventional loans of two or more units in which the borrower(s) has indicated the subject property will be owner-occupied within 60 days. Form WAMU 516, Occupancy Rider to Mortgage/Deed of Trust/Security Deed, or a similar form, is recommended for use in order to establish clearly your remedies in case a discrepancy in occupancy is discovered subsequently.

Section 501.03 Power of Attorney

Closing documents may be executed via a Power of Attorney (“POA”) provided the following conditions are met.

A. Conventional and FHA Loans

- * The POA can be used for closing documents only, and is not acceptable for application or credit verification documents;
- * At least one borrower must be present at closing, unless a face-to-face interview has been conducted with all applicants; ...
- * The attorney-in-fact may not have any direct or indirect financial interest in the transaction; ...

Section 601.02 Representations and Warranties Regarding the Mortgage Loans

With respect to each mortgage loan sold by the Company to Washington Mutual, the Company represents and warrants the following as of the applicable purchase date: ...

11. *Occupancy of the Mortgaged Property*

Except where Washington Mutual specifically agrees to the contrary, the mortgaged property is lawfully occupied by the mortgagor under applicable law. ...

21. *Third Party Originations.* In addition to all other representations and warranties stated in this Guide, the Company represents the following with respect to each mortgage loan which was completely or partially originated, underwritten, closed, funded or packaged by any entity other than the Company (each such mortgage loan a “TPO Mortgage Loan”):

(a) The Company has received written authorization from Washington Mutual to sell to Washington Mutual TPO Mortgage Loans which comply with the terms and conditions of the Guide, such authorization has not been rescinded, terminated or revoked by Washington Mutual and the sale of such TPO Mortgage Loan to Washington Mutual will not be inconsistent with, or exceed, any limitations or restrictions stated in such authorization;

(b) The Company has implemented, and the TPO Mortgage Loan was subject to, prudent third-party origination risk management procedures which identify potential deficiencies in TPO Mortgage Loans including, but not limited to, misrepresentations of borrower income and assets and inaccuracies in appraisal reports; ...

(e) The TPO and the TPO Mortgage Loan comply with all Fannie Mae and Freddie Mac requirements for third party originated mortgage loans.

77. Publicly available sections of Freddie Mac’s rules and regulations, such as those concerning the verification of rental income, impose requirements that are highly similar to WaMu’s Guide, including the need for copies of current leases, limiting gross rental income to seventy-five percent (75%) unless the prior two years’ federal tax returns clearly support the use of a higher percentage, and requiring that negative Monthly Operating Income or negative net rental income must be included as a liability for loan qualification purposes.

78. The level of conduct expected of First United by WaMu was not unique. Indeed, for example, the Loan Purchase Agreements of Countrywide Home Lending (“Countrywide”), Credit Suisse First Boston (“CSFB”), and HomeSide Lending (“HomeSide”, before its acquisition by WaMu), each have substantially similar language in which the seller, i.e., First

United, represents and warrants that: (a) it has no knowledge of any circumstances or conditions that reasonably could be expected to cause private institutional investors to regard any loan as an unacceptable investment (Countrywide); (b) there are no facts, circumstances, or conditions with respect to any application or applicant which First United believes or has any reason to believe could be expected to cause the related mortgage loan to become delinquent or adversely affect the value or marketability of such loan (CSFB); or (c) there is no fact or circumstance with respect to the mortgage loan that would entitle an agency [defined as Fannie Mae, Freddie Mac, FHA, HUD, VA, GNMA, &/or a private investor] to demand repurchase of a mortgage loan ... (HomeSide).

79. When the mortgage loans that are the subject of this Complaint were issued, the Defendants knew, or reasonably should have known, of the existence of one or more of the following facts:

- (a) “Buyers” routinely signed forms found in First United loan files stating that they would not reside in the property and it would strictly be an investment, flouting standard mortgagor occupancy requirements and First United’s occupancy representation to the loan buyer;
- (b) According to Settlement Statements in First United loan files, the amount of the “buyer’s” alleged cash contribution at a closing was often very closely related, in nearly a 1:1 ratio, to a distribution of the “seller’s” cash to a third party including but not limited to the Debtor or one of its Affiliates, or other cash which NJAH/Puff found to be necessary or convenient at the time;
- (c) Title insurance commitment Schedules in First United loan files show that a substantial number of properties were “flipped” in the chain of title by and between NJAH or an Affiliate and another Affiliate, one or more investors, relatives, or some other nominee. Some of these transfers were for little or no consideration before ultimately being nominally recorded in the name(s) of one or more NJAH investors in separate “sales”;
- (d) One or more title insurance commitment schedules in many of the First United loan files also disclosed the need to transfer the property from its then-current owner to the Debtor or an Affiliate as the proposed seller, and then to immediately transfer the property to the “buyer” at the time of the mortgage loan closing, rendering the loan ineligible for FHA insurance;

- (e) The appraisal (in a First United loan file) for the property was inaccurate and inflated so as to justify the receipt of excessive mortgage proceeds;
- (f) The Settlement Statements in multiple First United loan files show that a number of property “sales” that were financed with the Defendants’ assistance were for a purchase price that was significantly less (\$10,000 or more) than the sum of the outstanding mortgages that had been granted by the Debtor or one of its Affiliates;
- (g) Some of NJAH’s investors were unable to sustain debt service payments based upon their income, assets and other debt service obligations disclosed on the loan applications in the First United loan files;
- (h) Many mortgage loans were issued via the Defendants’ assistance to the same investor(s) for multiple properties, and representations in loan applications and mortgages that the investor(s) would use such properties as their primary residence were known to be untrue despite the mortgagor’s occupancy requirement contained in the mortgage(s) and/or the mortgage rider, WaMu’s Guide, and/or other contractually required prudent lending practices requiring the borrower(s) to live in the Premises as a primary residence within a specified time period;
- (i) In many loans issued, underwritten or brokered by First United, the loan-to-value ratio for the property exceeded ninety percent (90%) of the alleged value;
- (j) In many cases First United funded a number of “transactions” for the same mortgage(s) with respect to different properties;
- (k) In most cases, including the transactions involving First United, certain attorneys and notaries names appeared on deeds and mortgages in the chain of title again and again;
- (l) In many cases, the mortgage(s) and mortgage note(s) were not actually signed by the borrower(s), but were executed by Puff and/or other representatives or agents of NJAH or an Affiliate;
- (m) The “buyer” would not be servicing the debt on the mortgage, but debt service would be paid by NJAH and/or its Affiliates (as shown in multiple First United loan files);
- (n) The proceeds of the mortgage(s) were not actually used to acquire a property, but were commingled with other mortgage proceeds and investors’ funds without regard to the identity of the specific property, investor or mortgagee;
- (o) The “buyer” did not fund any down payment or cash at the closing for a property “purchased” from the Debtor, an Affiliate, or another investor;

- (p) Settlement Statements in First United loan files show numerous cases in which NJAH and/or one or more Affiliates routinely received significant payments of mortgage proceeds from the “seller’s funds” from closings with no disclosed reason or justification;
- (q) In some cases, including examples found in First United loan files, Puff, an NJAH employee/investor such as Jeffrey Neuman, or other agent acted as the attorney-in-fact for the investor/“buyer” for all purposes in a “sale”, and not all of the alleged Powers of Attorney that were referred to or relied upon were recorded;
- (r) Acknowledgements to legal documents were often defective and inconsistent with the execution of said documents, including examples found in First United loan files, and in a number of cases there were gaps in the chain of title;
- (s) The sibling relationship between Anthony and Joseph, and Anthony’s attorney-client relationship with Puff and/or the Debtor were not disclosed to lenders;
- (t) In many cases, the “buyer(s)” did not attend the closing, whether or not a Power of Attorney was relied upon;
- (u) A number of alleged “leases” for mortgaged properties in First United loan files, including and not limited to multiple transactions in September, 2003 and thereafter, show the “buyer(s)” as the owner(s)/lessor(s) as of a date before the closing for the property in question;
- (v) Most of the appraisals submitted to First United for the transactions at issue in this Complaint were sent by an employee of the Debtor or one of its Affiliates, and these appraisals routinely used seventy-five percent (75%) of the property’s alleged gross rental income when calculating value via the income approach, and not seventy-five percent (75%) of the net income after mortgage payments. This same “rental income” figure would also appear as income in the “buyer’s” mortgage loan application;
- (w) Many transactions involving First United involved a “purchase” directly from the Debtor or one of its Affiliates in which one or more existing mortgages granted by the “seller” was satisfied in a manner highly similar to the “builder bailout loans” viewed by WaMu as being highly risky, but no additional precautions were taken by the Defendants despite this fact;
- (x) The Defendants knew, or should have known, that they were receiving documents and assistance from employees of the Debtor or its Affiliates in preparing mortgage loan applications and supporting documentation, yet they made no discernible attempt to establish or implement prudent third-party origination risk management procedures to identify potential deficiencies in these third-party originated mortgage loans including, but not limited to,

misrepresentations of borrower income and assets and inaccuracies in appraisal reports.

80. Pursuant to HUD regulations, and, upon information and belief, pursuant to prudent lending practices, every document in the file of an initial/original lender is required to be kept by the lender for two (2) years and, therefore, at all times relevant, the Defendants had, or should have had, evidence in their possession of one or more of the above facts.

81. The multiple signs of fraud set forth above do not try to list every type or the sheer volume of the red flags that were essentially waved in the face of the Defendants (or, in some instances, by them) in the transactions in question in this Complaint. Additional red flags included, *inter alia*, variations of approximately thirty percent (30%) in a “buyer’s” liquid assets shown in comparing handwritten loan applications with the final versions with no apparent explanation for the discrepancy; fraudulent employment “verifications” provided by NJAH (or Affiliate) employees; and apparently fungible “buyers”, as a number of loan files show title commitments and judgment searches (&/or letters preparing for a closing) in the name of one investor followed by executed deeds, mortgages & notes in the name of a different investor with little or no explanation for the switch.

82. The volume, persistence, and variety of red flags in the First United loan files inexorably lead to the conclusion that the Defendants either consciously ignored repeated signs of fraud and other improper conduct in the loan application process for the mortgages in issue in this Complaint, or that they were active participants therein.

83. Both Defendants had a self-interest in issuing the mortgage loan(s) at the same time that they were on inquiry notice of NJAH’s fraudulent activities and insolvency, and disregarded such facts to further their profit motive to the detriment of NJAH and its creditors.

84. Each of the Defendants intentionally prepared or condoned the use of intentionally misleading Settlement Statements and/or other fraudulent documents to hide these fraudulent transactions from the respective lenders and others.

D. The Fraudulent Appraisals

85. As part of the various schemes, Puff obtained investments and financing, and justified the financed amounts, by obtaining or using appraisers and appraisals that greatly overstated the value of properties acquired or to be renovated by the Debtor.

86. In paragraph 35 of its Complaint, the SEC explained that:

From July 30, 1993 through May 1, 2005, NJ Affordable's own property sales data show that NJ Affordable has only been able to realize approximately 82% of the appraised value used to secure investors' money. And in the more recent period of January 1, 2004 through May 1, 2005, NJ Affordable's sales data shows that in 109 sales totaling \$29,485,300, NJ Affordable recovered only 72% of the properties' appraised values.

87. In paragraph 42 of its Complaint, the SEC further explained that:

In several instances, appraised value exceeds the price at which the property was purchased by 900%. Some examples of overvalued properties are:

UpperLake f/k/a 14 Municipal, Wantage, is vacant land.
Purchase price in February 2004: \$7,500.
Appraised value: \$750,000
NJ Affordable still holds the property, it remains vacant and zoning regulations prohibit building on it.

5 Borman Ave., Woodbridge, is vacant land.
Purchase price in 1999: \$60,000.
Appraised value: \$2,085,000.
NJ Affordable still holds the property and it remains vacant.

58 Race Street, North Plainfield.
Purchase price in 1999: \$85,000.
Appraised value: \$3,900,000.
NJ Affordable still holds this property.

620 E. Saddle River Road, Ho-Ho-Kus, is vacant land.
Purchase price in 2004: \$12,500.
Appraised value: \$730,000.

110 Lyons Ave., Newark.
Purchase price on April 30, 2003: \$120,100.
Appraised value for "sale" on August 15, 2003: 279,900.
(133% in 4 months)

375 Leslie Street, Newark.
Purchase price on November 14, 2003: \$129,900.
Appraised value for "sale" on December 17, 2003:
\$280,000. (115.5% in 1 month)

195 Reynolds Street, Orange.
Purchase price on January 16, 2004: \$41,100
Appraised value for "sale" on March 30, 2004: \$190,000
(362% in 2.5 months)

143-145 Brookdale Ave., Newark.
Purchase price on June 2, 2004: \$84,000
Appraised value for "sale" on September 1, 2004: \$335,000
(291.84% in 3 months)

69-71 Columbia Ave., Newark.
Purchase price on December 6, 2004: \$161,500
Appraised value for "sale" on December 3, 2004 [3 days
before title passed to the Debtor]: 326,000 (102% in less
than one day)

177 S. 9th Street, Newark
Purchase price on December 23, 2004: \$122,500
Appraised value for "sale" on June 30, 2005: \$380,000
(210% in 6 months)

88. Michael Meehan, one of a select group of real estate appraisers who were used on multiple occasions by Puff, the Debtor, or one of its Affiliates, pled guilty in Federal District Court to charges of conspiracy to commit wire fraud by knowingly and intentionally providing the Debtor (and/or its Affiliates) with materially fraudulent appraisals which, *inter alia*, claimed that: (i) he had personally inspected the property; (ii) the property had been significantly renovated or repaired (with a list of alleged renovations/repairs) when no such renovations or

repairs had been done; and (iii) alleged comparable properties were located within specified distances from the subject property.

89. John Morris, who worked for the Debtor and/or its Affiliates as an appraisal coordinator, admitted during his guilty plea allocution in U.S. District Court, *inter alia*, to supplying Michael Meehan with misleading real estate sales agreements between the Debtor and one or more investors, and also giving Mr. Meehan lists of phantom repairs or improvements to the properties in question when he knew those lists to be false.

90. Appraisals supplied to the Debtor or its Affiliates by other members of the aforesaid select group of appraisers were remarkably similar to the materially fraudulent appraisals supplied by Mr. Meehan in their style, format, and the manner in which they referred to alleged renovations or repairs to the subject property. William Page, another member of that select group of appraisers who were used on multiple occasions by Puff, the Debtor, or one of its Affiliates, also pled guilty in Federal District Court to similar charges.

91. Each of the Defendants knew or should have known that Puff was relying on materially fraudulent appraisals to raise money from investors and to have investors borrow funds from institutional lenders.

E. Property Churning

92. As part of the various schemes discussed above, Puff caused the Debtor and the Debtor's Affiliates to transfer title to properties among them and various "shills" or nominees at increasing sale prices to artificially inflate the apparent value of such properties.

93. In his declaration, Mr. Bohan explained that out of the \$33.8 million in property sales that the Debtor recorded from January 1, 2004 through May 1, 2005, at least ninety percent (90%) of the proceeds, or \$30.4 million, were "generated from sales to people closely connected

to [the Debtor], such as investors, employees, insiders, Affiliates, or nominees who had previously bought property from [the Debtor] and transferred it to an Affiliate of [the Debtor]."

94. Mr. Bohan further explained that of that amount, fifty-six percent (56%) of the sale proceeds generated (or approximately \$19 million) were generated from sales to the Debtor's investors, with an additional twenty-one percent (21%) (or approximately \$6.1 million) generated from sales by the Debtor to investors who subsequently sold the properties to one of the Debtor's Affiliates for a nominal sum (up to \$100 and assumption of the existing mortgage debt) before that Affiliate, in turn, re-sold the property to another investor or other nominee, for a significantly higher price than what was recited in the deed from the Debtor or one of its Affiliates to the "selling" investor.

95. Since each of the Defendants was actively involved in many of these transactions, each knew that the ever-increasing sale prices were not market driven but were artificially established by Puff.

96. Some examples of property churning and its inflation of asserted property values by the Debtor and the Debtor's Affiliates under Puff's direction are as follows:

754-756 South 11th Street, Newark, purchased for \$145,000 on Jan. 16, 2004
"sold" on the same day to an NJAH investor for \$265,000.00
"sold" to an NJAH investor for \$392,000.00 on August 12, 2005 (107% /yr)

22-24 Scherer Ave., Newark, purchased on May 28, 2004 for \$120,000.00
"sold" on October 13, 2004 to an NJAH investor for \$254,000.00
"sold" again on December 9, 2004 to an LLC owned by Puff for \$10.00
"sold" again on July 29, 2005 to an NJAH investor for \$290,000.00
(an increase of \$170,000, or 141% over 14 months, i.e., 121% per yr.)

69-71 Columbia Ave., Newark, purchased on December 6, 2004 for \$161,500
"sold" on December 3, 2004 to an NJAH investor for \$326,000
"sold" again on June 25, 2005 to an LLC owned by Puff for \$100.00
"sold" again on June 24, 2005 to an NJAH investor for \$370,000
(a \$208,500 increase, or 129% over 6 ½ months)

182 West Bigelow Street, Newark, purchased on December 3, 2004 for \$181,000
“sold” on December 6, 2004 to an NJAH investor for \$317,000.00
“sold” again on December 8, 2004 to an LLC owned by Puff for \$100.00
“sold” again on June 24, 2005 to NJAH investors for \$380,000.00
(a \$199,000 increase, or 110% in under 7 months)

97. First United underwrote, brokered, or issued the mortgage loans for at least 6 of the 8 “sales” identified in the preceding paragraph, including at least one recorded transfer for each of these four properties.

F. Commingling and Diversion of Funds

98. All funds collected by the Debtor, including funds raised from investors, rent paid by tenants, mortgage payments made by third-party property owners, and proceeds derived from property sales, were commingled in accounts maintained by the Debtor and others and were shifted among the various entities, and expended as needed, rather than on a property-by-property basis.

99. Puff, the Debtor and the Debtor’s Affiliates commingled funds received from all sources without regard to the specific properties, investors and financial institutions involved.

100. Funds obtained from loan transactions were used to pay mortgages and property-related expenses for properties other than the specific properties on which the investors or financial institutions were given mortgages.

101. Payments to investors and other lenders were not made from or traceable to a specific property in which such investor thought that he, she or it held an interest, and were not made from or traceable to a specific mortgage granted to such investor.

102. Because funds were commingled and not accounted for on a property-by-property basis, it is impossible to distinguish between funds provided by investors, funds provided by financial institutions, rents received from tenants, and funds disbursed at property sale closings.

103. The various Affiliates also loaned funds to each other seemingly at Puff's discretion, as evidenced by the inter-company balances on each entity's December 31, 2004 trial balance.

104. George Otlowski, Esq., ("Otlowski ") maintained an attorney trust account for the real estate transactions in which he participated at Puff's request.

105. Otlowski maintained a ledger for his trust account in which he detailed account transactions for each of the property transactions in which he was involved.

106. All funds held in Otlowski's trust account were to be held for the Debtor.

G. The Debtor's Insolvency

107. At all relevant times, the Debtor and its Affiliates were insolvent.

108. From January 1, 1999 through June 30, 2005, the Debtor and its Affiliates did not have the ability to pay the Debtor's obligations to investors and others as they became due.

109. From January 1, 1999 through December 31, 2003, the Debtor and its Affiliates sustained losses in excess of \$20 million.

110. For calendar years 1998 through 2005, the Debtor's records reveal a negative cash flow from operating losses totaling \$67.5 million.

111. The Debtor's records also reflect that during the same years, the Debtor accumulated \$37.7 million in negative cash flow from the acquisition and sale of approximately 650 properties. These cash losses were comprised of total proceeds generated from the sale of properties of \$122.9 million, less mortgages totaling \$54.7 million and original purchase prices totaling \$105.8 million..

112. A cash flow forecast for Discount Homes R Us, Inc., (“DHRU”), one of the Debtor’s Affiliates, with the date of March 4, 2004 and columns identified with dates ranging from March 29 through April 26 projects a negative total cash flow of \$832,333.

113. For the 6 months ended June 30, 2005, the Debtor and its Affiliates were paying average monthly mortgage payments of approximately \$350,000.00, while the monthly rental income over the same period averaged a meager \$87,000.00.

114. Since the debts owed to investors and financial institutions significantly exceeded property values and income generated from those properties, Puff relied on raising money from new investors or other lenders to pay the promised returns to investors whose investments had matured and who did not re-invest their money, to investors who contracted for monthly payments, or to other investors as determined by Puff.

115. Without the continued flow of funds from new investors, Puff could not have continued to operate the Debtor.

116. The Debtor’s insolvency is also reflected by the facts that: (i) properties were carried on the Debtor’s balance sheet at values far in excess of their true value (and in many cases, the property's ultimate sales price to a third party); (ii) the Debtor significantly understated its liabilities on its internal records by failing to account for accrued interest that might be owed to investors; (iii) the Debtor did not reflect as liabilities its obligations on properties titled in shells' names but otherwise owned and controlled by the Debtor; and (iv) the Debtor failed to include at least \$455,000.00 in loan obligations to insiders.

117. At all times relevant, the Defendants had actual, constructive or inquiry notice and knowledge of the Debtor’s insolvency.

H. Additional Examples of the Scams described above

118. The following transactions are examples of the various transactions in which the Defendants assisted Puff and the Debtor, and are indicative of the Defendants' (i) repeated and continuing refusal to acknowledge, investigate, or address "red flags" in Defendant First United's loan files and related information sources regarding transactions with the Debtor's investors, employees, and other individuals with connections to the Debtor or to one or more of its Affiliates or related businesses, and (ii) their repeated and continuing participation in the fraud committed by Puff on the Debtor and others.

14 Westervelt Place, Irvington, NJ

119. On March 3, 2003, Puff caused DHRU to acquire title to this property for the sum of \$80,000.

120. On September 23, 2003, Puff caused DHRU to transfer purported title to this property to Paul and Georgette Boucher, NJAH investors, for \$155,000, of which sum \$139,500 (ninety percent of the sale price) was financed by a First United mortgage.

121. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

122. Otlowski prepared this deed.

123. Anthony, brother of Defendant Joseph, served as the settlement agent at the closing which was held at Anthony's office located in the same building as First United, which is owned or controlled by Joseph.

124. The First United loan file for this transaction (the "Loan File") includes a title insurance commitment with an effective date of July 2, 2003, including a requirements list of eighteen items in Schedule B, Section I of the title commitment. Item number 15 on that list

requires cancellation or other disposition of an unrecorded mortgage made by DHRU to Navesink Finance LLC (“Navesink”), dated March 10, 2003 in the original amount of \$120,000.

125. A copy of the unrecorded Navesink mortgage which was prepared by Otlowski is in the Loan File.

126. According to a corporate status report for DHRU in the Loan File dated August 13, 2003, the last designated Registered Agent for that corporation was Otlowski.

127. Tiffany Wei Ding (“Tiffany”), a manager and equity owner in Navesink together with her husband, Charles Xue, is, or was at all times relevant hereto, the President and majority shareholder of DHRU.

128. The Loan File contains copies of three alleged leases for a property located at 816 South 17th Street, Newark, New Jersey, which was also the subject of a transaction between Mr. and Mrs. Boucher and DHRU which closed on September 26, 2003 and which was financed by First United.

129. Each of these three purported leases is dated September 24, two days before the closing when purported title to 816 South 17th Street was transferred to Mr. and Mrs. Boucher, yet their names appear on all three of these alleged leases as the Property’s owners.

130. The Loan File also has a First United conventional fixed-rate commitment, dated September 26, 2003, which referred to a number of items which had to be satisfied prior to closing. Item number 4 on the list required First United’s “receipt of satisfactory documentation of closing of other mortgages; 8 Prospect and 816 South 17th Street, at closing.” This document was signed on behalf of First United by its President, Joseph.

131. The settlement statement for this transaction states that the cash required from the borrowers at closing was \$24,740.81. The settlement statement shows a corresponding \$24,800

deduction from the funds that would otherwise be payable to the seller (DHRU), which were paid to the debtor instead, with no explanation being provided for this substitution.

132. The unrecorded Navesink mortgage was satisfied as part of the closing.

133. First United received a one-percent (1%) origination fee, a one-percent (1%) loan discount fee, a commitment fee and an application fee from this transaction. Payment of these fees was funded by the Debtor, or one of its Affiliates.

134. The proceeds from the financing were controlled by Puff and were disbursed as he directed.

135. Upon information and belief, Mr. and Mrs. Boucher did not pay one cent to acquire purported title to this property and did not pay any other acquisition costs.

136. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. and Mrs. Boucher, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

137. Upon information and belief, Mr. and Mrs. Boucher did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when DHRU acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

138. Upon information and belief, Mr. and Mrs. Boucher did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

139. Upon information and belief, Mr. and Mrs. Boucher were not represented by an attorney or were represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

140. On November 3, 2004, Puff caused Mr. and Mrs. Boucher to transfer purported title to this property to DHR-Boucher, LLC, of 100 Pond Road, Hopelawn, New Jersey, (the Debtor's Address) for \$1.

141. The Operating Agreement for DHR-Boucher, LLC discloses that DHRU was &/or is the Manager and sole equity holder for that LLC, Puff is the Registered Agent, and an allocation of net profits and losses among the members regarding various properties including and not limited to 14 Westervelt Place, contains a proposed division of net profits on a 50 – 50 basis, all net losses were to be borne by DHRU, and DHRU had the right, or option, to buy Mr. and Mrs. Boucher's 50 percent share of net profits earned on that property in exchange for a \$5,000 lump payment.

142. On the same date, Puff caused DHR-Boucher, LLC to transfer purported title to this property to Dennis Orsini, another NJAH investor, for \$189,000, of which sum \$172,800 (91% of the purchase price) was financed by a First United mortgage.

143. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

144. The proceeds from the financing were controlled by Puff and disbursed as he directed.

145. First United assigned its mortgage to Washington Mutual Bank, N.A., ("WaMu") an institutional lender, on the same day upon which it was granted.

146. Upon information and belief, Puff induced Mr. Orsini to participate in this transaction by, among other acts, having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

147. Upon information and belief, Mr. Orsini did not pay one cent to acquire purported title to this property and did not pay any other acquisition costs.

148. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. Orsini, paid all mortgage payments, real estate taxes, utilizes, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

149. Upon information and belief, Mr. Orsini did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately proceeding sale to determine when DHR-Boucher LLC acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

150. Upon information and belief, Mr. Orsini did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

151. Upon information and belief, Mr. Orsini was not represented by an attorney or he was represented by one of the Debtor's attorneys in connection with this transaction.

54 Blum Street, Newark, NJ

152. On June 25, 2004, Puff caused the Debtor to acquire this property for \$90,000.00.

153. On October 24, 2004, Puff caused the Debtor to transfer purported title to this property to Kenneth and Roberta Alterman, NJAH investors, for \$315,000.00, of which

\$252,000.00 was financed with the assistance from the Defendants, including a mortgage loan payable to First United.

154. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

155. Otlowski prepared this deed.

156. First United assigned this mortgage to WaMu, an institutional lender, on the same day that it was granted by the Altermans.

157. Anthony, brother of Joseph, served as the settlement agent at the closing. The closing was held at Anthony's office located in the same building as First United, which is owned or controlled by his brother, Joseph.

158. The proceeds from the financing were controlled by Puff and were disbursed as he directed.

159. Upon information and belief, Puff induced the Altermans to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

160. Upon information and belief, the Altermans did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

161. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not the Altermans, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

162. Upon information and belief, the Altermans did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately-preceding

sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

163. Upon information and belief, the Altermans did not take any measures that bona fide, third-party purchasers would have pursued prior to entering into this transaction.

164. Upon information and belief, the Altermans were not represented by an attorney or were represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

165. The settlement statement for this transaction reflects payments to Otlowski's trust account totaling \$230,000.00, \$225,000.00 on account of a first mortgage payoff, and \$5,000.00 on account of a second mortgage payoff.

166. While Otlowski's trust account ledger for this property reflects a deposit of \$230,000.00 on October 25, 2004, the ledger reflects disbursements of \$225,000.00 to the Debtor on November 8, 2004.

167. The only mortgage payoff at or around the time of this transaction that is reflected in Otlowski's trust account ledger for this property is \$101,100.00 paid on October 26, 2004 to First Consumer Credit for the benefit of an investor. This payment, however, is offset by an incoming wire transfer in that exact amount on October 22, 2004.

168. Upon information and belief, Puff instructed Otlowski to disburse the funds to the Debtor.

169. Upon information and belief, Puff used such funds as needed to sustain the fraud.

170. Otlowski and Anthony knew that the settlement statement intentionally reflected mortgage payoffs that were not existent or that were not paid.

171. Otlowski's trust account ledger for this property also reflects an incoming wire of \$225,000.00 on July 8, 2004, an incoming wire of \$101,100.00 on July 26, 2004, a payment of \$171,759.00 to Anthony on July 8, 2004, a payment of \$101,100 to another of the Debtor's attorneys on July 29, 2004, and a payment of \$40,000.00 to Cornerstone Realty, one of the Debtor's Affiliates, on July 8, 2004, among many other disbursements.

172. There is no explanation provided or apparent economic justification for the funds flowing in and out of Otlowski's trust account for this property.

173. Upon information and belief, these payments were funded by investments that Puff raised from persons who were led to believe that their investments would be used to renovate other properties or from financing obtained by Puff through a nominee title holder.

393 Market Street, Perth Amboy, NJ

174. On June 25, 2004, Puff caused the Debtor to acquire this property from Michael Jacobson for \$245,000.00.

175. Otlowski served as the settlement agent for this closing.

176. The settlement statement for this transaction reflects an all cash deal and reflects cash due from the Debtor of \$248,130.76.

177. On the same date, June 25, 2004, Puff caused the Debtor to transfer purported title to this property to Richard Graziade, an NJAH investor, for \$315,000.00, of which \$252,000.00 was financed with a mortgage granted to First United.

178. First United received fees from this mortgage transaction. Payment of these fees was funded by the Debtor or one of its Affiliates.

179. First United assigned this mortgage to an institutional lender.

180. Otlowski prepared this deed and Anthony N. recorded this deed.

181. Anthony served as the settlement agent for this closing, which was held at his office in the same building where the Defendants' offices are located.

182. The proceeds from the financing were controlled by Puff and disbursed as he directed.

183. Upon information and belief, Puff induced Mr. Graziade to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

184. Upon information and belief, Mr. Graziade did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

185. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. Graziade, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

186. Upon information and belief, Mr. Graziade did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

187. Upon information and belief, Mr. Graziade did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

188. Upon information and belief, Mr. Graziade was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

189. While the settlement statement reflects a mortgage payoff to Otlowski's trust account of \$248,130.76, Anthony, at Puff's direction, issued a check for \$248,130.76 to the Debtor with the notation "P/O 393 Market, Graziade/NJAH".

190. Otlowski's trust account ledger for this property reflects a deposit of \$248,130.76, a mortgage payoff of \$153,324.23 (not the amount reflected in the settlement statement), and a payment to Michael Jacobson of \$85,953.05, the cash due from the Debtor when it bought the property.

191. Otlowski and Anthony knew that the funds borrowed by Mr. Graziade were not used to pay off existing mortgages as reflected in the settlement statement, but were used to fund the Debtor's acquisition of the property.

192. On May 11, 2005, eleven (11) months after the Graziade transaction, Richard Graziade, at Puff's direction, transferred purported title to the property to Carlos Marquez (one of the Debtor's employees and investors) for \$389,000.00, of which \$375,093.00 was financed (96% of the sale price) with a mortgage from First United.

193. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor or one of its Affiliates.

194. First United assigned this mortgage to an institutional lender on the same day that it was granted.

195. Otlowski prepared this deed.

196. Anthony served as the settlement agent for this closing, which was held at his office in the same building where the Defendants' offices are located.

197. Joseph was First United's loan officer for this transaction, and he signed a HUD/VA Addendum to the loan application on First United's behalf.

198. The proceeds from the financing were controlled by Puff and disbursed as he directed.

199. Upon information and belief, Puff induced Mr. Marquez to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

200. Upon information and belief, Mr. Marquez did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

201. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. Marquez, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

202. Upon information and belief, Mr. Marquez did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately-preceding sale to verify when Mr. Graziade, or his grantor, the Debtor, acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

203. Upon information and belief, Mr. Marquez did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

204. Upon information and belief, Mr. Marquez was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

205. The settlement statement reflects a seller contribution of \$19,436.45, a “grant” of \$19,450.00, and cash due from borrower of \$420.45.

206. On May 12, 2005, a cashier's check was delivered to Anthony for \$420.45, the cash due from borrower, and a second cashier's check for \$19,450.00, with a memo line referring to “Oasis Community Dev.”

207. Upon information and belief, Cornerstone Realty Agency, one of the Debtor’s Affiliates, funded those payments at Puff’s direction.

208. The settlement statement also reflects a payment of \$85,000.00 to Cornerstone Realty for no apparent purpose.

66 Steuben Street, East Orange, NJ

209. On December 26, 2003, Puff caused the Debtor to acquire this property for \$137,100.00.

210. On or about June 24, 2004, six months after its purchase, Puff caused the Debtor to transfer purported title to this property to Se Hwan Kim (one of the Debtor’s employees) for \$318,000.00, of which \$238,500 was financed with a First United mortgage.

211. First United assigned this mortgage to an institutional lender.

212. Joseph’s signature appears on First United’s loan commitment for this transaction.

213. First United’s loan file for this transaction shows that the Debtor had granted both a first and second “Construction” mortgage liens against this property in favor of investors, in the respective sums of \$350,000.00 and \$77,250.00.

214. The sale price to Mr. Kim was \$109,250.00 less than the existing mortgage liens which the Debtor had granted.

215. Otlowski prepared this deed, dated June 24, 2004.

216. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

217. Anthony served as the settlement agent at the closing, which was held at his office in the same building where the Defendants' offices are located.

218. The proceeds from the financing were controlled by Puff and were disbursed as he directed.

219. Upon information and belief, Puff induced Mr. Kim to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

220. Upon information and belief, Mr. Kim did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

221. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. Kim paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

222. Upon information and belief, Mr. Kim did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately-preceding sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

223. Upon information and belief, Mr. Kim did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

224. Upon information and belief, Mr. Kim was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

225. The settlement statement dated June 28, 2004 (four days after the date on the deed) reflects cash from borrower of \$93,039.08, and a \$93,100.00 disbursement to the Debtor as one of five cash disbursements.

226. By check number 12794 dated June 28, 2004, Anthony remitted \$93,100.00 to the Debtor. Puff then endorsed that check back to Anthony's attorney trust account.

227. Otlowski and Anthony knew that Mr. Kim did not fund the cash due from him reflected on the settlement statement, and upon information and belief, Defendant Joseph knew this as well.

228. The settlement statement also reflects a payment to the Debtor of \$28,198.46 which was remitted by an Anthony check in the same amount with the notation "Barrett, 246 William St, NJAH Payoff".

229. On June 25, 2004, Puff caused the Debtor to transfer purported title to 246 William Street, East Orange, New Jersey to Mr. Barrett, an NJAH investor, for \$180,000. The Debtor had acquired title to the property on September 4, 2003 for \$76,100.00.

230. Otlowski prepared this deed.

231. Anthony served as the settlement agent for this closing.

232. The proceeds from the financing were controlled by Puff and disbursed as he directed.

233. The settlement statement for the 246 William Street transaction reflects cash due from borrower of \$28,198.46, the same amount remitted by Anthony from the 66 Steuben Street closing.

234. The 66 Steuben Street settlement statement also reflects a payment to the Debtor of \$13,113.79, the difference between cash from borrower and cash to seller in the Graziade transaction discussed above.

235. First United's loan file for the transfer of 66 Steuben Street to Mr. Kim also includes a settlement statement and two leases for another transfer by the Debtor to Mr. Kim dated June 24, 2004, for a property known as 88-90 Lindsley Avenue, Newark, for \$254,000.00 dollars.

236. The Lindsley Avenue settlement statement shows the sum of \$61,699.39 as "cash due from Borrower", and it also shows a specific \$61,699.39 disbursement to the Debtor.

237. Anthony served as the settlement agent for the 88-90 Lindsley Avenue closing.

238. The two leases for 88-90 Lindsley Avenue in the First United loan file for the 66 Steuben Street transaction are both purportedly signed by Mr. Kim as the property owner, and are dated June 20, 2004, and June 22, 2004, several days before purported title was transferred to him.

239. On June 25, 2004, Mr. Kim, at Puff's direction, transferred purported title to this property to 66 Steuben Street LLC, one of the Debtor's Affiliates, for \$1.00. This deed was not recorded until August 1, 2005.

240. On June 20, 2005, Puff caused 66 Steuben Street LLC to transfer purported title to this property to Frank Carullo, another of the Debtor's investors, for \$320,000.00, of which \$304,000.00 was financed (95% of the sale price).

241. Otlowski prepared this deed.

242. Mitchell Fishman, Esq. ("Fishman"), one of the Debtor's attorneys, witnessed the mortgage documents and served as the settlement agent for this closing.

243. The proceeds from the financing were controlled by Puff and disbursed as he directed.

244. Upon information and belief, Puff induced Mr. Carullo to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

245. Upon information and belief, Mr. Carullo did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

246. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. Carullo, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

247. Upon information and belief, Mr. Carullo did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately-preceding sale to verify when his grantor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

248. Upon information and belief, Mr. Carullo did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

249. Upon information and belief, Mr. Carullo was not represented by an attorney or was represented by Fishman, one of the Debtor's attorneys, in connection with this transaction.

250. The settlement statement for this transaction also reflects unexplained payments of \$25,625.00 to Cornerstone Realty, one of the Debtor's Affiliates, and \$49,972.71 to the Debtor.

816 South 17th Street, Newark, NJ

251. On September 26, 2003, Puff caused DHRU to transfer purported title to this property which it had acquired three months earlier for \$150,000, to Paul and Georgette Boucher (NJAH investors), for \$290,000.00. \$232,000.00 (i.e. 80% of the sale price) was financed with First United, a company owned or controlled by Joseph.

252. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor or one of its Affiliates.

253. First United assigned this mortgage to WaMu, an institutional lender, on the same day that it was granted.

254. Otlowski prepared this deed, which was marked "record and return to [Anthony]".

255. Anthony served as the settlement agent at the closing, which was held at Anthony's office located in the same building as First United, which is owned or controlled by Joseph.

256. The proceeds from the financing were controlled by Puff and were disbursed as he directed.

257. Upon information and belief, Puff induced Mr. and Mrs. Boucher to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

258. Upon information and belief, Mr. and Mrs. Boucher did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

259. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. and Mrs. Boucher, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

260. Upon information and belief, Mr. and Mrs. Boucher did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when the Debtor's Affiliate acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

261. Upon information and belief, Mr. and Mrs. Boucher did not take any measures that bona fide, third-party purchasers would have pursued prior to entering into this transaction.

262. Upon information and belief, Mr. and Mrs. Boucher were not represented by an attorney or were represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

263. The settlement statement reflects cash due from borrower of \$68,865.00 and a cash disbursement to NJAH of \$69,000.00 out of the "seller's proceeds," although NJAH was not the identified titleholder/seller.

264. The settlement statement and First United's loan file for this transaction reflect a payoff of \$169,559.00 to Navesink in satisfaction of an unrecorded mortgage.

265. The property was purchased as an allegedly income-producing investment, and the First United loan file contains a "lease" for the property dated September 24, 2003. However, the purported owner whose signature appears on that "lease" was Paul Boucher, two

days before he and his wife took nominal title to the property (on September 26). Two additional “leases” dated September 24, 2003 and signed by Mr. and Mrs. Boucher as the owners appear in First United’s loan file for the 14 Westervelt closing, which was also held on September 26, 2003.

266. Joseph’s name appears on the First United loan commitment for this transaction.

754-756 South 11th Street, Newark, NJ

267. On January 16, 2004, Puff caused the Debtor to acquire this property from Effich Bell and Dolores Bell for \$145,000.00.

268. Otlowski served as the settlement agent for this closing.

269. The settlement statement reflects an all-cash acquisition, with \$148,863.32 due from the Debtor.

270. On the same day, Puff caused the Debtor to transfer purported title to this property to Gail Neuman, an NJAH investor, for \$265,000.00 (a \$120,000 increase in under one day). \$198,750 of the purchase price was financed with First United, a company owned or controlled by Joseph.

271. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

272. Otlowski prepared this deed.

273. First United assigned its mortgage to an institutional lender.

274. Anthony served as the settlement agent for this closing, which was held at Anthony’s office located in the same building as First United, which is owned or controlled by Joseph.

275. The proceeds from the financing were controlled by Puff and disbursed as he directed.

276. Upon information and belief, Puff induced Ms. Neuman to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

277. Upon information and belief, Ms. Neuman did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

278. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Ms. Neuman, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

279. Upon information and belief, Ms. Neuman did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

280. Upon information and belief, Ms. Neuman did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

281. Upon information and belief, Ms. Neuman was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

282. The settlement statement reflects cash due from borrower of \$78,057.27 and a payment to H&W, one of the Debtor's Affiliates, of \$78,100.00.

283. Anthony issued a check to H&W dated January 16, 2004 for \$78,100.00. Puff then endorsed the check back to Anthony to show the cash in from the borrower.

284. Otlowski and Anthony knew that Ms. Neuman did not fund the cash due from borrower.

285. The settlement statement also reflects a payment to Otlowski's trust account of \$148,863.32.

286. While Otlowski's trust account ledger for this property reflects a deposit of that amount, the ledger also reflects that Otlowski used the funds borrowed using Ms. Neuman name to fund the Debtor's acquisition of this property from the Bells.

287. On August 12, 2005, Gail Neuman, at Puff's direction, transferred purported title to this property to Melvyn Barenholtz, another NJAH investor, for \$392,000.00 (a \$127,000.00 increase), of which \$294,000.00 was financed with First United, a company owned or controlled by Joseph.

288. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

289. First United assigned this mortgage to an institutional lender.

290. Otlowski prepared this deed.

291. Anthony served as the closing agent for this closing, which was held at Anthony's office located in the same building as First United, which is owned or controlled by Joseph.

292. The proceeds from the financing were controlled by Puff and disbursed as he directed.

293. Upon information and belief, Puff induced Mr. Barenholtz to participate in this transaction by, among other acts, providing a fraudulent appraisal, and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

294. Upon information and belief, Mr. Barenholtz did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

295. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. Barenholtz, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

296. Upon information and belief, Mr. Barenholtz did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when Ms. Neuman acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

297. Upon information and belief, Mr. Barenholtz did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

298. Upon information and belief, Mr. Barenholtz was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

299. The settlement statement for the Barenholtz transaction reflects an amount of cash due from borrower of \$122,898.97, and an unexplained payment of \$122,900.00 to Quality Homes, one of the Debtor's Affiliates, out of the "seller's funds".

300. Upon information and belief, Mr. Barenholtz did not pay the \$112,898.97 cash due at closing.

301. The settlement statement for the Barenholtz transaction also reflects an unexplained payment to the Debtor of \$79,000.00.

70 22nd Street, Irvington, NJ

302. On July 30, 2004, Puff caused DHRU, one of the Debtor's Affiliates, to acquire the property at a sheriff's sale for \$80,100.00.

303. Upon information and belief, the Debtor funded this acquisition at Puff's direction.

304. On July 29, 2004, Puff caused DHRU to transfer this property which it did not yet own, to the Debtor for \$1.00.

305. Otlowski prepared this deed.

306. On August 27, 2004, Puff caused the Debtor to transfer purported title to the property to Lucesita Santiago (one of the Debtor's employees and investors) for \$250,000.00 (a \$169,900 increase, or 212% in one month) of which \$200,000.00 was financed with First United, a company owned or controlled by Joseph.

307. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

308. First United assigned this mortgage to WaMu, an institutional lender, on the same day it was granted.

309. Otlowski prepared this deed.

310. Anthony served as the settlement agent for this closing, which was held at Anthony's office located in the same building as First United, which is owned or controlled by Joseph.

311. The proceeds from the financing were controlled by Puff and disbursed as he directed.

312. Upon information and belief, Puff induced Ms. Santiago to participate in this transaction by, among other acts, providing a fraudulent appraisal, and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

313. Upon information and belief, Ms. Santiago did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

314. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Ms. Santiago, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

315. Upon information and belief, Ms. Santiago did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

316. Upon information and belief, Ms. Santiago did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

317. Upon information and belief, Ms. Santiago was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

318. The settlement statement reflects cash from borrower due at closing of \$61,644.67.

319. The purported cash from borrower for this transaction was delivered to Anthony by bank check dated September 1, 2004, after the closing.

320. Upon information and belief, Ms. Santiago did not pay the cash due of \$61,644.67.

321. The settlement statement reflects a payment to Otlowski for \$150,000.00, which was remitted by Anthony check number 13873 dated August 27, 2004.

322. Otlowski's trust account ledger for this property reflects that \$150,000.00 was deposited July 29, 2004, a month before the closing.

323. Otlowski's trust account ledger for this property also reflects that he paid \$70,744.95 to the Debtor on July 29, 2004, \$47,917.00 to the Debtor on August 16, 2004, and \$63,828.58 to the Essex County Sheriff on July 29, 2004.

324. Upon information and belief, the funds disbursed by Otlowski from the trust account for this property were derived from mortgage transactions involving one or more other properties.

325. In his guilty plea allocution, Mr. Meehan specifically identified this property as one of those for which in his appraisal he knowingly and willfully listed nine (9) significant improvements/renovations as having been completed which had not been done, for a property he had never personally visited, and for which he also falsely represented to have performed an analysis of "comps", i.e., comparable properties.

326. In his guilty plea allocution, Mr. Morris specifically identified this property as one of those for which, *inter alia*, he supplied Michael Meehan with misleading real estate sales agreements between the Debtor and one or more investors, and also gave Mr. Meehan a list of phantom repairs or improvements to the property when he knew that list to be false.

388 South 9th Street, Newark, NJ

327. On September 11, 2003, Puff caused the Debtor to acquire this property for \$92,500.00.

328. On August 30, 2004 (3 days after the 70 22nd Street transaction), Puff caused the Debtor to transfer purported title to this property to Lucesita Santiago (one of the Debtor's employees and investors) for \$250,500.00 (a \$157,000.00 increase, or 170 % in one year) of which \$200,000.00 was financed with First United, a company owned or controlled by Joseph.

329. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

330. Upon information and belief, First United assigned this mortgage to an institutional lender.

331. First United's loan file for this transaction contains evidence that its underwriter(s) and other employees responsible for processing the NJAH "house account" loan applications were merely putting pieces of paper in a file, without acting or relying on their content. Ms. Santiago's loan application stated that she had been employed by "FHP, Inc." for 8½ years as an investment manager, yet First United had a September, 2003 report from First Trust that Ms. Santiago was its official contact person at NJAH for account(s) of an NJAH investor, and her name and signature appeared as Secretary of one or more of the Debtors Affiliates, such as DHRU, on a number of deeds in prior transactions financed by First United. There is also at least one separate First United loan file with a letter from Ms. Santiago confirming an investor's accounts with NJAH as of August 10, 2004, a mere 20 days earlier.

332. Further evidence of First United's consciously inattentive approach to information in loan files for mortgages for NJAH "house account" loans appears in Ms. Santiago's loan applications. In her handwritten application dated either August 26, 2004 or August 28, 2004, she reported liquid assets on deposit with NJAH of \$109,104, yet her final application dated August 30, 2004 mysteriously shows \$159,405.00 in liquid assets on deposit with NJAH, with

no explanation for the \$50,000 increase within 2-4 days. The handwritten application was signed by Ms. Santiago and by Randy Sinclair on behalf of First United.

333. Otlowski prepared this deed.

334. Anthony served as the settlement agent for this closing, which was held at Anthony's office located in the same building as First United, which is owned or controlled by Joseph.

335. The proceeds from the financing were controlled by Puff and disbursed as he directed.

336. Upon information and belief, Puff induced Ms. Santiago to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

337. Upon information and belief, Ms. Santiago did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

338. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Ms. Santiago, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

339. Upon information and belief, Ms. Santiago did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

340. Upon information and belief, Ms. Santiago did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

341. Upon information and belief, Ms. Santiago was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

342. The settlement statement reflects cash due from the borrower of \$55,387.89.

343. Upon information and belief, Ms. Santiago did not pay the cash due of \$55,387.89.

344. The settlement statement reflects a payoff to C. Lafon Daily (an NJAH investor) of \$162,000.00.

345. At Puff's direction, Anthony issued a check in that amount to Otlowski on August 30, 2004.

346. However, Otlowski's trust account ledger for this property only reflects a deposit of \$77,025.00 on that date, and a corresponding disbursement to First Trust Corp FBO Paul Boucher (not C. Lafon Daily) of \$77,000.0 on August 31, 2004.

347. At Puff's direction, Anthony issued a check to the Debtor for \$75,025.65 on August 30, 2004 that is not reflected on the settlement statement.

348. On August 31, 2004, Puff caused Ms. Santiago to transfer purported title to this property to 388 South 9th Street, LLC, one of the Debtor's Affiliates, for \$100.00.

349. On July 22, 2005, Puff caused 388 South 9th Street, LLC to transfer purported title to this property to Donna DiGrandi, an NJAH investor, for \$280,000.00, of which \$252,000.00 was financed (90% of the sale price) with First United, a company owned or controlled by Joseph.

350. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

351. First United assigned this mortgage to WaMu, an institutional lender, on the same day that it was granted.

352. Otlowski prepared this deed.

353. Anthony served as the settlement agent for this closing, which was held at Anthony's office located in the same building as First United, which is owned or controlled by Joseph.

354. The proceeds from the financing were controlled by Puff and disbursed as he directed.

355. Upon information and belief, Puff induced Ms. DiGrandi to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

356. Upon information and belief, Ms. DiGrandi did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

357. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Ms. DiGrandi, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

358. Upon information and belief, Ms. DiGrandi did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when the LLC acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the

mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

359. Upon information and belief, Ms. DiGrandi did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

360. Upon information and belief, Ms. DiGrandi was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

361. The settlement statement reflects cash due from the borrower of \$40,916.00.

362. Upon information and belief, Ms. DiGrandi did not pay the cash due of \$40,916.00.

363. The Settlement statement also reflects an unexplained payment of \$41,000.00 to Quality Homes, one of the Debtor's Affiliates. Upon information and belief, the proceeds of this payment funded the cash due from borrower of \$40,916.00.

364. The mortgage and the mortgage note were signed by Jeffrey Neuman on behalf of Ms. DiGrandi, as her attorney-in-fact. Mr. Neuman operated a mortgage brokerage company, United Capital Funding, which was established at Puff's suggestion, funded by one of the Debtor's investors and had offices at two locations where the Debtor, or Debtor Affiliates, had offices.

22-24 Montrose Terrace, Irvington, NJ

365. On August 6, 2004, Puff caused the Debtor to acquire this property at a sheriff's sale for \$13,000.00.

366. On October 26, 2004, Puff caused the Debtor to transfer purported title to this property to Navinchandra Patel and Charumati Patel, NJAH investors, for \$175,000.00 (a \$162,000.00 increase in under 3 months (1,246%)) of which \$157,500.00 was financed (90% of the sale price), with First United, a company owned or controlled by Joseph.

367. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

368. First United assigned this mortgage to WaMu, an institutional lender, on the same day it was granted.

369. Otlowski prepared this deed.

370. Anthony served as the settlement agent, which was held at Anthony's office located in the same building as First United, which is owned or controlled by Joseph.

371. The proceeds from the financing were controlled by Puff and disbursed as he directed.

372. The settlement statement shows that the property sold at a loss. The existing first mortgage payoff of \$209,250 to the Otlowski trust account was \$34,250.00 higher than the \$175,000.00 selling price, and the seller paid \$57,352 in cash at the closing in addition to the "cash from buyer".

373. Upon information and belief, Puff induced the Patels to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

374. Upon information and belief, the Patels did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

375. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not the Patels, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

376. Upon information and belief, the Patels did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did

not have the property independently appraised, did not investigate the immediately preceding sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

377. Upon information and belief, the Patels did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

378. Upon information and belief, the Patels were not represented by an attorney or were represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

379. At Puff's direction, Otlowski provided the seller's cash of \$37,352.00 by check number 281335. Yet, Otlowski's trust account ledger for this property does not reflect this disbursement.

380. Upon information and belief, the Patels did not pay the cash due from borrower of \$26,683.99.

381. The settlement statement reflects a mortgage payoff to Otlowski's trust account of \$209,250.00 that was remitted by Anthony check number 14751 dated October 26, 2004.

382. While a deposit in that amount is reflected in Otlowski's trust account ledger for this property, the ledger reflects that the deposit was made on August 6, 2004, two months before the closing.

383. Otlowski's trust account ledger for this property does not reflect a mortgage payoff but reflects payments to the Debtor of \$166,451.01 on August 6, 2004, and \$20,380.00 on August 17, 2004, a payment of \$10,119.67 to the Essex County Sheriff on August 6, 2004, and \$3,000.00 to DHRU, one of the Debtor's Affiliates, on August 6, 2004.

384. Upon information and belief, the funds disbursed from Otlowski's trust account for this property were derived from mortgage transactions involving one or more other properties.

21 Montrose Terrace, Irvington, NJ

385. On August 13, 2003, Puff caused the Debtor to acquire the property for \$63,100.00.

386. On September 23, 2004, Puff caused the Debtor to transfer purported title to this property to Navinchanda Patel and Charumati Patel (the "Patels") for \$250,000 (a \$186,900.00 increase, 33.76% in 5 weeks, or 296% per year) of which \$200,000.00 was financed by First United, a company owned or controlled by Joseph.

387. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

388. Otlowski prepared this deed.

389. The First United mortgage was dated and granted on September 22, 2004, one day before the date on the deed transferring purported title to the property to the Patels.

390. The Debtor granted a \$114,000 "Construction Mortgage" against the property in favor of First Trust, as Trustee, on August 12, 2003, one day before title to the property was transferred to the Debtor.

391. Upon information and belief, Anthony conducted the closing for this property as the settlement officer at his office located in the same building as First United, which is controlled by Joseph.

392. First United assigned its mortgage to an institutional lender, ABN Amro, on the same day it was granted.

393. Joseph signed First United's loan commitment dated September 21, 2004 to issue the mortgage loan to the Patels.

394. The settlement statement for the closing on this transaction is dated September 22, 2004, one day before the date on the deed to the Patels.

395. Upon information and belief, Puff induced the Patels to participate in this transaction by, among other acts, having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

396. Upon information and belief, the Patels did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

397. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not the Patels, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

398. Upon information and belief, the Patels did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

399. Upon information and belief, the Patels did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

400. Upon information and belief, the Patels were not represented by an attorney or were represented by Anthony one of the Debtor's attorneys, in connection with this transaction.

401. On December 31, 2004, Puff caused the Patels to refinance this property by granting a new, \$202,000 mortgage to First United.

402. Anthony conducted the closing for this refinancing at his office located in the same building as First United, which is owned or controlled by Joseph.

403. The final loan application for this refinancing, dated December 31, 2004, shows that the Patels had negative net rental income of \$1,069/month.

404. The First United loan file for this refinancing included a document regarding a separate earlier transaction between the Patels and NJAH in which NJAH transferred purported title to 33-35 Chelsea Avenue, Newark, NJ to them on August 10, 2004 for \$320,000. There is a purported lease for this investment property dated August 9, 2004 bearing the signatures of the Patels as the owners one day before the closing when they purportedly took title to that property.

405. The final loan application for this refinancing, dated December 17, 2004, was signed by Joseph on behalf of First United.

406. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

407. The proceeds from the refinancing were controlled by Puff and disbursed as he directed.

42-44 Bock Avenue, Newark, NJ

408. On April 28, 2003, Puff caused DHRU, one of the Debtor's Affiliates, to acquire the property for \$139,100.00.

409. On September 26, 2003, Puff caused DHRU to transfer purported title to the property to Alan Bauerle, one of the Debtor's investors, for \$288,000.00 (a \$148,900.00 increase, or 107% in five months, i.e., 256% per year). \$230,400.00 of the contract price was financed by a First United mortgage.

410. Otlowski prepared this deed, which was witnessed by Lucy Santiago, as Assistant Corporate Secretary for DHRU.

411. Anthony closed this transaction as the settlement agent at his office, located in the same building as First United, which is owned or controlled by Joseph.

412. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

413. First United assigned this mortgage to WaMu, an institutional lender, on the same day it was granted.

414. The First United loan file for this property includes a copy of a \$190,000.00 mortgage granted by DHRU to Navesink on April 22, 2003, six days before DHRU took title to the property. The loan file also shows that this mortgage had not been recorded.

415. First United knew that there was no valid recorded mortgage in favor of Navesink for the property.

416. First United's loan file also includes copies of 3 rental agreements signed by Alan Bauerle as the purported owner of 284 Wainwright Street, Newark, NJ on September 24, 2003. Mr. Bauerle was not the purported owner of that property until two days later, i.e., September 26, 2003, the date of the deed purporting to transfer title to him. First United also financed that transaction, which closed on the same day as the Bock Avenue transaction.

417. The proceeds of the financing were controlled by Puff and disbursed as he directed.

418. Upon information and belief, Puff induced Mr. Bauerle to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

419. Upon information and belief, Mr. Bauerle did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

420. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. Bauerle, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

421. Upon information and belief, Mr. Bauerle did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when DHRU acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

422. Upon information and belief, Mr. Bauerle did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

423. Upon information and belief, Mr. Bauerle was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

82 Carolina Avenue, Newark, NJ

424. On February 11, 2003, Puff caused the Debtor to acquire this property at a sheriff's sale for \$91,000.00.

425. On January 29, 2004, Puff caused the Debtor to transfer purported title to this property to Phillip Calderone, an NJAH investor, for \$172,500.00, of which at least \$137,000.00 was financed by First United.

426. Otlowski prepared this deed.

427. Anthony closed this transaction as the settlement agent at his office, located in the same building as First United.

428. The settlement statement shows two disbursements to Otlowksi's trust account in satisfaction of a \$159,500 first mortgage, and a \$47,000 second mortgage. With liens totaling \$206,500, this property was sold at a \$34,000 loss.

429. The loan application and the underwriting transmittal in First United's loan file for this transaction assert that Mr. Calderone, then 76 years old, had been working for United Capital Funding (an Affiliate of NJAH) for 4 ³/₄ years. United Capital Funding was a mortgage brokerage business that had only been formed less than one year before (in 2003), which was a matter of public record.

430. Joseph signed the mortgage loan commitment for this transaction on his company's behalf dated January 29, 2004.

431. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

432. The proceeds of the financing were controlled by Puff and disbursed as he directed.

433. Upon information and belief, Puff induced Mr. Calderone to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

434. Upon information and belief, Mr. Calderone did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

435. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. Calderone, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

436. Upon information and belief, Mr. Calderone did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

437. Upon information and belief, Mr. Calderone did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

438. Upon information and belief, Mr. Calderone was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

439. On May 17, 2005, Puff caused Mr. Calderone to transfer purported title to the property to Norman Bacon, another NJAH investor, for \$229,000, of which \$206,100 was financed by First United.

440. First United received fees from this mortgage transaction. Payment of those fees was funded by the debtor, or one of its Affiliates.

441. Upon information and belief Mr. Calderone did not receive any funds as a result of the May 17, 2005 transaction with Mr. Bacon regardless of what the settlement statement for that transaction may indicate.

442. Otowski prepared the deed for this transaction.

443. Anthony closed this transaction as the settlement agent at his office, located in the same building as First United.

444. Upon information and belief, Puff induced Mr. Bacon to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

445. Upon information and belief, Mr. Bacon did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

446. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. Bacon, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

447. Upon information and belief, Mr. Bacon did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when Mr. Calderone acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

448. Upon information and belief, Mr. Bacon did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

449. Upon information and belief, Mr. Bacon was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

450. Upon information and belief, Puff diverted "Mr. Calderone's" purported sale proceeds from this transaction to sustain the fraud.

451. First United assigned the mortgage it received in the Bacon transaction to WaMu, an institutional lender, on the same day it was granted.

22-24 Scherer Avenue, Newark, NJ

452. On May 28, 2004, Puff caused the Debtor to acquire the property for \$120,000.00.

453. On or about June 25, 2004, Puff caused the Debtor to grant two construction mortgages to various investors to secure debts of \$175,000.00, and \$64,800.00 respectively.

454. On October 13, 2004, Puff caused the Debtor to transfer purported title to the property to Richard Graziade, an NJAH investor, for \$254,000.00, of which sum, upon information and belief, at least eighty percent (80%) was financed by First United.

455. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

456. Upon information and belief, First United assigned this mortgage to an institutional investor.

457. First United's loan file for this transaction includes, *inter alia*, a settlement statement showing disbursement to First United's trust account to satisfy a \$175,000 first mortgage in favor of Joseph Gabriele, and a \$64,800.00 disbursement to First Trust to satisfy a second mortgage held as Trustee for Manfred Duersch.

458. The loan file also includes a copy of a settlement statement for a June 14, 2004 transaction in which NJAH transferred purported title to a property known as 552 Norwood Street, East Orange, New Jersey, to Mr. Graziade for \$233,00.00. That settlement statement shows two disbursements to Otlowski's trust account in the amounts of \$200,000.00 and \$50,000.00 to satisfy a first, and second mortgage, respectively, and required \$23,746.00 in cash from the seller to close the transaction.

459. The loan file also includes a copy of an appraisal dated September 30, 2004, and a revised real estate sale contract (with Mr. Graziade), both of which described the property as a two-family dwelling. According to the appraisal, the property was vacant.

460. Upon information and belief, Puff induced Mr. Graziade to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

461. Upon information and belief, Mr. Graziade did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

462. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. Graziade, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

463. Upon information and belief, Mr. Graziade did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately preceding sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

464. Upon information and belief, Mr. Graziade did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

465. Upon information and belief, Mr. Graziade was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction..

466. On December 9, 2004, (less than two months after the October 13 transaction), Puff caused Mr. Graziade to transfer purported title to the property to 22-24 Scheerer Ave., LLC (the "LLC") an Affiliate of the Debtor, for \$10.00.

467. On December 9, 2004, Puff caused the LLC to grant a mortgage to First Trust Corp. as Trustee for Perry and Allyson Starr Nixdorf in the amount of \$64,673.42. The mortgage was signed by Puff as President, and by Lucy Santiago as Assistant Secretary.

468. On July 29, 2005, Puff caused the LLC to transfer purported title to this property to Milton Loshin, another NJAH investor, for \$390,000.00 (a \$136,000.00 increase, or 53% in 9 months), of which \$292,500.00 was financed with First United, a company owned or controlled by Joseph.

469. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

470. Upon information and belief, First United assigned this mortgage to an institutional lender.

471. First United prepared this deed.

472. Anthony served as the settlement agent for this transaction, at his office, located in the same building as First United.

473. The proceeds of the financing were controlled by Puff and disbursed as he directed.

474. The settlement statement for this transaction shows a \$111,855 disbursement to Quality Homes R Us (a Debtor Affiliate, "QHRU") from the seller's proceeds, which sum exceeded the "cash from borrower" by \$10.00, and an additional \$80,000 disbursement to the Debtor, also from the "seller's proceeds".

475. The loan file for this transaction includes copies of 3 purported leases for this property (which was previously “appraised” as a 2 unit property) signed by Mr. Loshin as the owner on July 27, and July 28, 2005, several days before the closing when he received purported title to the property.

476. The loan file also includes a copy of Mr. Loshin’s 2003 tax return which reflects negative rental income in excess of \$50,000.00 for his investment properties (all purchased from the Debtor or an Affiliate).

477. Joseph signed documents on First United’s behalf for this transaction.

208 Chadwick Avenue, Newark, NJ

478. On October 13, 2004, Puff caused the Debtor to purchase this property at a Sheriff’s sale for \$76,000.00.

479. On or about November 4, 2004, Puff caused the Debtor to sign a real estate sale contract proposing to transfer title to this property to Donna DiGrandi, an NJAH investor, for \$250,000.00 requiring a closing to be held on or before December 15, 2004.

480. The First United loan file for this property includes a title insurance commitment for this property effective October 25, 2004 (ten days before the date of the real estate sale contract), which states, *inter alia*, “the record discloses no open mortgages of record”.

481. The loan file also includes a handwritten Uniform Residential Loan Application dated November 4, 2004 with the signatures of Donna DiGrandi as the borrower and Joseph as “interviewer”.

482. The loan file also includes: a mortgage loan origination agreement bearing the signature of Joseph as lender’s employee; a Rate Lock Confirmation dated November 12, 2004 identifying Ms. DiGrandi as the borrower for the premises and listing Joseph as the Loan

Officer, and an Interest Rate Lock in Agreement also dated November 4, 2004, and signed by Ms. DiGrandi and Joseph.

483. On November 12, 2004, Puff caused the Debtor to transfer purported title to this property to Donna DiGrandi, one of the Debtor's investors, for \$250,000.00 of which sum \$200,000.00 was to be financed by a First United mortgage loan dated November 15, 2004.

484. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

485. Otlowski prepared this deed.

486. Anthony served as the settlement agent for this transaction at his office located in the same building as First United.

487. The settlement statement for this transaction dated November 15, 2004, and signed by Ms. DiGrandi, the Debtor and Anthony as the settlement agent, includes alleged disbursements to Otlowski's trust account in the respective amounts of \$175,000.00 and \$43,000.00 to allegedly satisfy first and second mortgages that had purportedly previously been granted by the Debtor as part of the closing, although the Title Insurance Commitment noted that there were no open mortgages of record.

488. The loan file also includes two signed leases for this property dated September 6, 2004 identifying Donna DiGrandi as the owner more than two months before the date on the deed which purportedly transferred title to the premises to her on November 12, 2004.

489. The appraisal in the loan file, dated November 5, 2004, states repeatedly that both of the properties' two units were vacant and not subject to either existing, or proposed leases.

490. First United assigned the mortgage to ABN Amro, an institutional investor, on the same day that the mortgage was granted.

491. The loan file also includes copies of three checks drawn upon a bank account of Quality Homes R Us Property Management, another Debtor Affiliate, representing payments towards this mortgage.

492. Upon information and belief, Puff induced Ms. DiGrandi to participate in this transaction, by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

493. Upon information and belief, Ms. DiGrandi did not pay one cent to acquire purported title to property and did not pay any other costs of acquisition.

494. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Ms. DiGrandi, paid all mortgage payments, real estate taxes, utilities, insurance, repairs costs, maintenance and all other carrying costs associated with this property.

495. Upon information and belief, Ms. DiGrandi did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately-preceding sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

496. Upon information and belief, Ms. DiGrandi did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

497. The loan file includes unsigned copies of a Notice of Settlement listing Anthony as "attorney" for "Purchaser and/or Mortgagor."

498. Upon information and belief, Ms. DiGrandi was not represented by an attorney, or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

530 South 18th Street, Newark, NJ

499. On January 25, 2005, Puff caused the Debtor to purchase this property for \$132,000.00.

500. Also on January 25, 2005, Puff caused the Debtor to grant a first mortgage against the property in the amount of \$250,000.00 to Donald and Patricia McHugh, and to grant a second mortgage against the property in the amount of \$100,000.00 to First Trust as Trustee for the IRA of Joseph Luongo.

501. A Notice of Federal Tax Lien against the Debtor dated November 15, 2004 in the amount of \$321,910.33 for tax years 1996 and 1998 was recorded in the Essex County records for real property liens on December 23, 2004.

502. On August 31, 2005 Puff caused the Debtor to transfer purported title to the property to Lawrence Bronfman, one of the Debtor's investors, for \$302,000.00, of which sum \$271,800.00 was financed by a First United mortgage loan.

503. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

504. Otlowski prepared the deed.

505. Anthony served as the settlement agent for this closing, which took place at his office, located in the same building as First United, a company owned or controlled by Joseph.

506. First United's loan file for this transaction includes a Title Insurance Commitment from First American Title Insurance Company with an effective date of August 23, 2005 that was issued by Millennium Abstract & Title Agency, Inc. (the "Commitment"). Schedule B, Section I of the Commitment lists 19 requirements. Items 16 and 17 on that list were the

cancellation or other disposition of the \$250,000.00 first mortgage, and the \$100,000 second mortgage.

507. Item 18 on the Schedule B list reads: “Redemption or other disposition of Federal Tax Lien vs. N.J. Affordable Homes Corp., dated November 15, 2004, recorded December 23, 2004, in Lien Book 152, Page 315, discloses a lien in the amount of \$321,910.33, plus interest and penalty.” (Emphasis added.)

508. The settlement statement for this closing recites that \$44,964.40 in cash was required from the borrower, and there is a \$45,000 distribution from the seller’s funds to QHRU, a Debtor Affiliate, plus other distributions from the Seller’s funds of \$11,166 to JDN Properties, and \$1,500 to Vladimir Mayzier.

509. The settlement statement shows a \$250,000 payoff of the first mortgage (to Otlowski’s Trust Account) and a \$100,000 payoff of the second mortgage to First Trust, but it does not mention the Federal Tax Lien. It does, however, require \$112,944.60 in cash from the seller to close. The Debtor’s two mortgages exceeded the sale price by \$48,000.

510. The loan file includes a copy of a settlement statement from one of Mr. Bronfman’s earlier transactions with NJAH in which he received purported title to a property known as 26 Barbara Street, Trenton, New Jersey for \$81,000.00 on January 20, 2004. This transaction, like the August 2005 South 18th Street transaction, was a loss for the Debtor. The settlement statement shows distributions of \$70,000.00 to Otlowski’s trust account and \$26,000.00 to First Trust, to satisfy existing first and second mortgages against that property, thus reflecting at least a \$15,000.00 loss. (The Debtor as seller was required to pay \$19,612.00 in cash at the closing.)

511. The loan file includes a Source of Funds Statement showing that Mr. Bronfman expected to fund the cash that would be required from him at the closing of this transaction from NJAH.

512. The loan file also includes a “verification of employment” form for Mr. Bronfman which purportedly verified his employment at United Capital Funding since 1995, by Maurice Wheatle, “V.P. Operations.” Mr. Wheatle appeared in purported employment verifications in at least two prior First United loan files (a transaction with Catherine Daly on September 17, 2004, and a transaction with Jonathan Mutter on May 20, 2005). In Ms. Daly’s case, Mr. Wheatle was allegedly the President of the E.U. Madison Arms. (The list of companies owned or controlled by Puff includes “Madison Arms Corp.”) In May 2005, for Mr. Mutter’s application, Mr. Wheatle was allegedly the V.P. Operations for Industrial Instrumentation Services, but in August, 2005, for Mr. Bronfman, Mr. Wheatle was allegedly the V.P. Operations for United Capital Funding. No attempt was made to explain Mr. Wheatle’s sudden alleged job changes, or that he had been employed by DHRU since at least January, 2004.

513. Because First United allegedly has one designated employee who processed all of the NJAH “house account” mortgage applications, the conflicting careers of Maurice Wheatle were easy to spot.

514. Upon information and belief, Puff induced Mr. Bronfman to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

515. Upon information and belief, Mr. Bronfman did not pay one cent to acquire purported title to this property and did not pay any other costs of acquisition.

516. Upon information and belief, the Debtor or one of the Debtor's Affiliates, and not Mr. Bronfman, paid all mortgage payments, real estate taxes, utilities, insurance, repair costs, maintenance costs and all other carrying costs associated with this property.

517. Upon information and belief, Mr. Bronfman did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately-preceding sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

518. Upon information and belief, Mr. Bronfman did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

519. Upon information and belief, Mr. Bronfman was not represented by an attorney or was represented by Anthony, one of the Debtor's attorneys, in connection with this transaction.

456 Halsted Street, E. Orange, NJ

520. On August 4, 2003, Puff caused DHRU to acquire this property for \$134,900.00.

521. On July 30, 2003, Puff caused DHRU to grant a \$185,000.00 mortgage against this property, which it did not yet own, to Navesink to secure a note at 13% per annum.

522. On October 14, 2004, Puff caused DHRU to transfer purported title to this property to Tiffany, DHRU's majority shareholder and President, for \$303,000.00, of which sum \$212,100.00 was financed by a mortgage (dated October 15, 2004) to First United.

523. First United received fees from this mortgage transaction. Payment of those fees was funded by the Debtor, or one of its Affiliates.

524. First United assigned this mortgage to WaMu, an institutional lender, on the same day that it was granted.

525. The First United loan file for this transaction includes a loan application showing that Tiffany's employer was Navesink.

526. The loan file also includes a discharge of Navesink's mortgage, dated October 15, 2004 and signed by Tiffany, manager of Navesink.

527. The DHRU Shareholder Agreement between DHRU, Puff and Tiffany states, *inter alia*, that when DHRU signed a contract to buy a parcel of real estate, Tiffany was obligated to finance the purchase and rehabilitation of the property through Navesink, a company in which she had an ownership interest. That Agreement also states that rehabilitation will be deemed completed (and thus Tiffany could elect to require DHRU to sell the property) if the initial (Navesink) financing was exhausted, or if the nine-month term of the Navesink mortgage and mortgage note had expired.

528. Joseph's signature appears on documents in this loan file on behalf of First United.

529. Upon information and belief, Puff induced Tiffany to participate in this transaction by, among other acts, providing a fraudulent appraisal and having the Debtor assume responsibility for the mortgage debt and carrying costs of the property.

530. Upon information and belief, Tiffany did not pay one cent to acquire title to this property and did not pay any other costs of acquisition.

531. Upon information and belief, Tiffany did not conduct any due diligence investigation of the property, did not choose or provide input on the choice of the property, did not have the property independently appraised, did not investigate the immediately-preceding

sale to verify when the Debtor acquired the property or at what cost, did not ensure that the property generated any income, let alone income sufficient to cover the obligation owed on the mortgage, and did not conduct any due diligence of the Debtor's financial condition to ascertain how the mortgage obligation would be repaid.

532. Upon information and belief, Tiffany did not take any measures that a bona fide, third-party purchaser would have pursued prior to entering into this transaction.

533. The foregoing summaries are just a handful of the scores of transactions in which the Defendants: (i) mortgaged properties for amounts well in excess of their worth; (ii) accepted mortgage applications which they knew to be fraudulent, or which they had good reason to suspect of fraud, and assigned the mortgage to institutional investors while collecting significant fees; and (iii) helped Puff to continue to violate state and federal securities laws.

534. The Defendants' actions caused the Debtor to incur debts, and to continue to incur debts, far beyond its ability to pay.

535. The Defendants' actions were motivated by their own greed, and their desire to please Puff, to the extreme detriment of the Debtor.

COUNT ONE
(First United -- Intentional Fraudulent Transfers)

536. The Trustee repeats the allegations set forth in the prior paragraphs of this Complaint as if fully set forth herein.

537. First United received fees from dozens of mortgage closings with "borrowers" who were steered to it by the Debtor. These fees were paid with funds provided by the Debtor or one of its Affiliates (the "First United Payments").

538. The First United Payments constitute transfers of an interest of the Debtor in property.

539. The First United Payments were made with actual intent to hinder, delay or defraud investors and creditors of the Debtor as to which the Debtor was, or became, on or after the date of such transfers, indebted.

540. The Trustee may avoid all of the First United Payments which were made within one year before the Petition Date under Section 548(a)(1)(A) of the Bankruptcy Code, and recover the value of all First United Payments made within one year before the Petition Date under Section 550(a) of the Bankruptcy Code.

COUNT TWO
(Joseph – Intentional Fraudulent Transfers)

541. The Trustee repeats the allegations set forth in the prior paragraphs of this Complaint as if fully set forth herein.

542. As the owner and/or person in control of First United, Joseph received an economic benefit from the First United Payments.

543. The Trustee may avoid all of the First United Payments made within one year before the Petition Date under Section 548(a)(1)(A) of the Bankruptcy Code, and recover the value of said payments made within one year before the Petition Date from Joseph under Section 550(a) of the Bankruptcy Code.

COUNT THREE
(First United -- Intentional Fraudulent Transfers)

544. The Trustee repeats the allegations set forth in the prior paragraphs of this Complaint as if fully set forth herein.

545. The Trustee may avoid all of the First United Payments made on or within four (4) years of the respective transfer dates under N.J.S.A. 25:2-25a, 2-29 and 2-30, which are applicable under Section 544 of the Bankruptcy Code, and recover the value of all of the First United Payments under Section 550(a) of the Bankruptcy Code.

COUNT FOUR
(Joseph – Intentional Fraudulent Transfers)

546. The Trustee repeats the allegations set forth in the prior paragraphs of this Complaint as if fully set forth herein.

547. The Trustee may avoid all of the First United Payments made on or within four (4) years of the respective transfer dates under N.J.S.A. 25:2-25a, 2-29 and 2-30 which are applicable under Section 544 of the Bankruptcy Code, and recover the value of all the First United Payments from Joseph under Section 550(a) of the Bankruptcy Code.

COUNT FIVE
(First United -- Constructive Fraudulent Transfers)

548. The Trustee repeats the allegations set forth in the prior paragraphs of this Complaint as if fully set forth herein.

549. The Debtor received less than a reasonably equivalent value in exchange for the First United Payments because, among other reasons, its services were utilized to perpetuate a fraudulent scheme.

550. The Debtor was insolvent on the dates that the First United Payments were made.

551. On the dates that the First United Payments were made, the Debtor was engaged in a business or a transaction, or was about to engage in a business or transaction for which any property remaining with the Debtor was an unreasonably small capital.

552. On the dates that the First United Payments were made, the Debtor and Puff intended to incur, or believed that the Debtor would incur, debts that would be beyond the Debtor's ability to pay as such debts matured.

553. The Trustee may avoid all of the First United Payments which were made within one year before the Petition Date under Section 548(a)(1)(B) of the Bankruptcy Code, and

recover the value of all Payments made within one year before the Petition Date under Section 550(a) of the Bankruptcy Code.

COUNT SIX
(Joseph – Constructive Fraudulent Transfers)

554. The Trustee repeats the allegations set forth in the prior paragraphs of this Complaint as if fully set forth herein.

555. The Trustee may avoid all of the First United Payments which were made within one year before the Petition Date under Section 548(a)(1)(B) of the Bankruptcy Code, and recover the value of all Payments made within one year before the Petition Date from Joseph under Section 550(a) of the Bankruptcy Code.

COUNT SEVEN
(First United -- Constructive Fraudulent Transfers)

556. The Trustee repeats the allegations set forth in the prior paragraphs of this Complaint as if fully set forth herein.

557. There exists at least one creditor whose claim against the Debtor arose prior to the date that each of the First United Payments was made.

558. The Trustee may avoid all of the First United Payments made on or within four (4) years of the respective transfer dates under N.J.S.A. 25:2-25b, 2-27a, 2-29 and 2-30, which are applicable under Section 544 of the Bankruptcy Code, and recover the value of all of the First United Payments under Section 550(a) of the Bankruptcy Code.

COUNT EIGHT
(Joseph – Constructive Fraudulent Transfers)

559. The Trustee repeats the allegations set forth in the prior paragraphs of this Complaint as if full set forth herein.

560. The Trustee may avoid all of the First United Payments made on or within four (4) years of the respective transfer dates under N.J.S.A. 25:2-25b; 2-27a, 2-29 and 2-30, which are applicable under Section 544 of the Bankruptcy Code, and recover the value of all the First United Payments from Joseph under Section 550(a) of the Bankruptcy Code.

COUNT NINE
(Both Defendants -- Deepening Insolvency)

561. The Trustee repeats the allegations set forth in the prior paragraphs of this Complaint as if fully set forth herein.

562. Each of the Defendants assisted Puff in perpetuating a fraud on the Debtor by fraudulently granting mortgage loans to investors that exceeded the value of the respective properties that served as collateral.

563. Each of the Defendants assisted Puff in perpetuating a fraud on the Debtor by materially assisting in consummating the transfer of real properties for which the Debtor incurred liabilities to lenders that exceeded the value of the properties that served as collateral.

564. Each of the Defendants knew or should have known that they were perpetuating a fraud by participating in such transactions.

565. Because the liabilities incurred by the Debtor in connection with these fraudulent transactions exceeded the value of the Debtor's assets, the Defendants' conduct resulted in the Debtor's deepening insolvency.

566. The Debtor was damaged as a result of the Defendants' conduct because it continued to incur debts that far exceeded its ability to pay.

567. Were it not for the Defendants' conduct, the Debtor would not have continued as a going concern or to incur debts that far exceeded its ability to pay.

568. The Trustee is entitled to judgment against the Defendants for both compensatory and punitive damages incurred by the Debtor and its estate arising from the Defendants' intentional conduct as set forth herein.

COUNT TEN
(Both Defendants – Aiding and Abetting Breaches of Fiduciary Duties)

569. The Trustee repeats the allegations set forth in the prior paragraphs of this Complaint as if fully set forth herein.

570. Each of the Defendants knew that Puff was the Debtor's President, and, upon information and belief, both of the Defendants also knew that Puff was the person in control of the Debtor.

571. Each of the Defendants knowingly assisted Puff in violating his fiduciary duties to the Debtor by assisting him in perpetuating the Ponzi scheme through underwriting, granting and selling fraudulent mortgage loans that exceeded the value of the respective properties that served as collateral.

572. Each of the Defendants knew or should have known that they were perpetuating a fraud by participating in such transactions.

573. The Debtor was damaged as a result of Defendants' conduct because it continued to incur debts that far exceeded its ability to pay them.

574. The Trustee is entitled to judgment against the Defendants for both compensatory and punitive damages incurred by the Debtor and its estate arising from the Defendants' intentional conduct as set forth herein.

COUNT ELEVEN
(Accounting)

575. The Trustee repeats the allegations set forth in the prior paragraphs of this Complaint as if fully set forth herein.

576. The Trustee is entitled to an accounting of all payments or other transfers made by the Debtor or the Debtor's Affiliates to each of the Defendants prior to the Petition Date.

WHEREFORE, the Trustee hereby demands judgment against the Defendants as follows:

A. On Counts One through Eight, inclusive, (i) avoiding the First United Payments, (ii) for the amount of all of the First United Payments, (iii) for attorney's fees and costs of suit, and (iv) for such other and further relief as is just and proper.

B. On Count Nine, against both Defendants, (i) for compensatory damages to be determined at trial, (ii) for punitive damages, (iii) for attorneys' fees and costs of suit, and (iv) for such other and further relief as is just and proper.

C. On Count Ten, against both Defendants, (i) for compensatory damages to be determined at trial, (ii) for punitive damages, (iii) for attorneys' fees and costs of suit, and (iv) for such other and further relief as is just and proper.

D. On Count Eleven, directing the Defendants to provide an accounting of all payments or other transfers made by the Debtor and/or the Debtor's Affiliates to either of them prior to the Petition Date.

COLE, SCHOTZ, MEISEL, FORMAN &
LEONARD, P.A.
Attorneys for Charles M. Forman, Chapter 7
Trustee

Dated: September 28, 2007

By: /s/Steven L. Klepper
Steven L. Klepper