

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

FREMONT REORGANIZING CORPORATION,

Plaintiff,

v.

RONNIE DUKE; RYAN ZUNDEL; BILL WELLS;
WELLS; WILLINEVAH RICHARDSON; ANTHONY
PETERS; BRYAN STURGEON; AMERICAN
NATIONWIDE MORTGAGE COMPANY; APEX
FINANCIAL GROUP, INC., d/b/a AAPEX
MORTGAGE CORPORATION; CBB, INC., d/b/a
BRET LIN HOME MORTGAGE; FIRST ESCROW
COMPANY, LLC; HARDCORE MOTOR SPORTS,
LLC; HARDCORE RACING, INC.; JS REALTY
LLC; LAWYERS ESCROW COMPANY; LIBERTY
TITLE AND ESCROW SERVICES LLC;
MOTORCITY FINANCIAL SERVICES; NATIONS
TITLE OF OHIO; NORTH AMERICAN HOME
FUNDING, INC.; OWNER REALTY.COM;
PREMIER MORTGAGE FUNDING, INC.;
QUOTEMEAREATE.COM, INC.; REAL ESTATE
ONE, INC.; SPECIALTY HOLDINGS, INC.;
ANDREW AUTY; TIMOTHY BAKER; MELISSA
BASTIEN; HUSSEIN ABDUL-MAJID BAZZI, a/k/a
SAM BAZZI; ALI BAYDOUN; JAY BAYDOUN,
a/k/a JALAL BOYDOUIN; CHEA BENNETT;
MORGAN BEVENSEE; KEVIN BOS; LISA BOS;
ROBERT BRIERLEY; BYRON DEES; FRANK
GENDERNALIK; SUSAN GENDERNALIK; RAY
HALL; HUGH BRADLEY JAMES; KIM KENT;
DAVID LARA; HAROLD LARSEN; DANNY LEY;
PATRICK LLOYD; JOSE MARTINEZ; JOHN
MAYER; KATHY MCCUTCHEON, a/k/a KATHY
SIZEMORE; APRIL MILLER; COLLETTE
MILLITELLO; JOSEPH MILLITELLO; PAUL
MORRIS; ADELBERT MOSS; BRYAN MURPHY;
DANIELLE NAPPER; SUZANNE NICHOLAS;
DANIEL PANKO; KATHLEEN POUNDS; LARRY
RIDEOUT; RICARDO RODRIGUEZ; FRANK RAY

No. 2:10-cv-11923-DML-RSW

Judge David M. Lawson

Mag. Judge R. Steven Whalen

JURY TRIAL DEMANDED

to apply for mortgage loans for residential real estate transactions that may or may not have involved the actual transfer of ownership of the property. Duke and others used the mortgage loan proceeds from these transactions to enrich themselves and to perpetuate the scheme. Fremont and the other mortgage lenders were injured, among other reasons, because the loans went into default and because, in many instances, due to the fraud, they did not have the protection of a secured interest in the property.

2. This action is also brought against defendant Fidelity National Title Insurance Company to recover damages arising from the fraud of one of its issuing agents and from its refusal to indemnify Fremont pursuant to closing protection letters issued in connection with certain of the mortgage loans involved in the scheme. This action is also brought against defendant JP Morgan Chase Bank to recover damages arising from its failure to recognize, detect, stop, or refrain from participating in certain transactions or to prevent money laundering from taking place in accounts held at Chase by Duke and other defendants.

THE PARTIES

Plaintiff

3. Fremont is a California corporation with its principal place of business in Anaheim, California. Fremont was formerly known as Fremont Investment & Loan. Prior to July 2008, Fremont was primarily engaged in the business of originating 1-4 family sub-prime residential mortgage loans for sale into the secondary market.

Defendants Duke, Zundel, Wells, Richardson, Peters and Sturgeon

4. Defendant Ronnie Duke is a citizen of the state of Michigan. During all times relevant to the claims alleged, Duke used numerous alias identities, including “Ronnie Edward Duke” and “Ron Edwards” and others unknown to Fremont (hereinafter, “Duke” refers to Ronnie Duke, inclusive of any other identities he may have used as aliases). In 2006, in *In the Matter of Ronnie Duke*, agency number 05-506-MB, enforcement case number 05-3877 (State of Michigan Department of Labor & Economic Growth, Office of Financial and Insurance Services), a Consent Order of Prohibition was entered prohibiting Duke from being employed by, an agent of, or control person of a licensee or registrant under the Michigan Mortgage Brokers, Lenders, and Servicers Licensing Act, MCL 445.1651, *et seq.*, or a licensee or registrant under a financial licensing act.

5. Defendant Ryan Zundel (“Zundel”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Zundel was associated with Duke and assisted him in connection with the scheme to defraud.

6. Defendant Bill Wells (“Wells”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Wells was associated with Duke and assisted him in connection with the scheme to defraud.

7. Defendant Willinevah Richardson (“Richardson”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Wells was associated with Duke and assisted him in connection with the scheme to defraud.

8. Defendant Anthony Peters (“Peters”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Peters was associated with Duke and assisted him in connection with the scheme to defraud.

9. Defendant Bryan Sturgeon (“Sturgeon”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Sturgeon was employed as a loan officer at CBB, Quotemearate, and Premier and was associated with Duke and assisted him in connection with the scheme to defraud.

Duke-Owned Entity Defendants

10. Defendant Hardcore Racing, Inc. (“Hardcore Racing”) is a Michigan corporation with its principal place of business in Ferndale, Michigan. During some or all of the relevant time herein, Duke owned and/or controlled Hardcore Racing and invested proceeds from his fraudulent scheme in Hardcore Racing, both to maintain the operations of Hardcore Racing and as a means of laundering the illegal proceeds from the scheme.

11. Defendant Hardcore Motorsports LLC (“Hardcore Motorsports”) is a Michigan limited liability corporation with its principal place of business in Novi, Michigan. During some or all of the relevant time herein, Duke, Wells, and Richardson owned and/or controlled Hardcore Motorsports and invested proceeds from Duke’s fraudulent scheme in Hardcore Motorsports, both to maintain the operations of Hardcore Motorsports and as a means of laundering the illegal proceeds from the scheme.

12. Defendant Specialty Holdings, Inc. (“Specialty Holdings”) is a Michigan corporation with its principal place of business in Bloomfield Hills, Michigan. During some or all of the relevant time herein, Duke owned Specialty Holdings.

Real Estate Agency Defendants

13. In connection with the scheme to defraud, Duke and other defendants used real estate agencies as vehicles for identifying properties to use as subjects for mortgage loan applications. During some or all of the relevant time herein, each of these agencies were either owned or controlled by a member of Duke's criminal enterprise or employed one or more members of Duke's criminal enterprise as real estate agents. Those real estate agencies included:

- a. Defendant Owner Realty.com, LLC ("Owner Realty"), a Michigan limited liability corporation with its principal place of business in Clinton Township, Michigan. During some or all of the relevant time herein, Defendant Timothy Baker owned and controlled Owner Realty and Owner Realty employed Defendant Michael Shilakes as a real estate agent.
- b. Defendant Real Estate One, Inc. ("Real Estate One"), a Michigan corporation with its principal place of business in Southfield, Michigan. During some or all of the relevant time herein, Real Estate One employed Defendants Jamie Sweeney and Sam Bazzi as real estate agents.

14. Defendant JS Realty LLC ("JS Realty"), is a Michigan limited liability corporation with its principal place of business in Grosse Ile, Michigan. JS Realty is owned and controlled by Defendant Nicole Turcheck. Nicole Turcheck purchased an interest in JS Realty in August 2006 and funneled and invested money she obtained from the scheme to defraud in JS Realty.

Mortgage Brokerage Defendants

15. In connection with the scheme to defraud, Duke and other defendants used mortgage brokerages as vehicles through which false and fraudulent loan applications were submitted to lenders. During some or all of the relevant times herein, each of these mortgage

brokerages employed one or more members of Duke's criminal enterprise as loan officers. Those mortgage brokerages included:

- a. Defendant Apex Financial Group, Inc. d/b/a Aapex Mortgage Corp. ("Aapex"), a Florida corporation with its principal place of business in Valrico, Florida. During some or all of the relevant time herein, Aapex employed Defendant Nicole Turcheck as a loan officer.
- b. Defendant American Nationwide Mortgage Company, Inc. ("American Nationwide"), a Florida corporation with its principal place of business in Tampa, Florida. During some or all of the relevant time herein, American Nationwide employed Defendant Harold Larsen as a loan officer.
- c. Defendant CBB Inc. d/b/a Bretlin Home Mortgage ("CBB"), a Michigan corporation with its principal place of business in Lansing, Michigan. During some or all of the relevant time herein, CBB employed Defendants Ricardo Rodriguez and Bryan Sturgeon as loan officers.
- d. Defendant North American Home Funding, Inc. ("North American"), a Florida corporation with its principal place of business in Westlake, California. During some or all of the relevant time herein, North American employed Defendant Chea Bennett as a loan officer.
- e. Defendant Premier Mortgage Funding, Inc. ("Premier"), a Florida corporation with its principal place of business in Florida. During some or all of the relevant time herein, Premier employed Defendants Bryan Sturgeon and Chea Bennett as loan officers.
- f. Defendant Quotemearate.com ("Quotemearate"), a Texas corporation with its principal place of business in Houston, Texas. During some or all of the relevant time herein, Quotemearate employed Defendant Bryan Sturgeon as a loan officer.

Closing and/or Issuing Agent Defendants

16. In connection with the scheme to defraud, Duke and other defendants established, acquired, owned, and/or controlled closing and/or issuing agents used as vehicles through which fraudulent real estate purchase and sale transactions were closed. Those issuing agents included:

- a. Defendant First Escrow Company LLC (“First Escrow”), a Michigan limited liability corporation with its principal place of business in Taylor, Michigan. During some or all of the relevant time herein, Duke was the resident agent for First Escrow.
- b. Defendant Lawyers Escrow Company (“Lawyers Escrow”), a Michigan corporation with its principal place of business in Michigan. During some or all of the relevant time herein, Duke and Richardson acted as notaries for loan transactions closed through Lawyers Escrow.
- c. Defendant Liberty Title and Escrow Services LLC (“Liberty Title”), an Ohio limited liability corporation with its principal place of business in Swartz Creek, Michigan. During some or all of the relevant time herein, Duke (through his alias Ron Edwards) was the resident agent for Liberty Title.
- d. Defendant MotorCity Financial Services (“MotorCity”), a Michigan limited liability corporation with its principal place of business in Bingham Farms, Michigan. During some or all of the relevant time herein, Peters was a member of MotorCity.
- e. Defendant Nations Title of Ohio (“Nations Title”), a Michigan corporation with its principal place of business in East Lansing, Michigan. During some or all of the relevant time herein, Defendant Robert Brierley was the resident agent for Nations Title.

Individual Defendants

17. Defendant Andrew Auty (“Auty”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Auty was associated with Duke and assisted him in connection with the scheme to defraud.

18. Defendant Timothy Baker (“Baker”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Baker owned and controlled Owner Realty and was associated with Duke and assisted him in connection with the scheme to defraud. Baker was also an appraiser employed by Key Appraisers.com LLC.

19. Defendant Hussein Abdul-Majid Bazzi a/k/a Sam Bazzi (“Bazzi”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Bazzi was a real estate agent for Real Estate One and was associated with Duke and assisted him in connection with the scheme to defraud by agreeing to act as a property locator for the scheme, as described in paragraph 92 below. Bazzi has pled guilty to wire fraud in violation of 18 U.S.C. § 1343 in the United States District Court for the Eastern District of Michigan in the matter *United States v. Bazzi*, No. 2:09-cr-20365 (E.D. Mich.), in connection with the scheme to defraud.

20. Defendant Melissa Bastien (“Bastien”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Bastien was associated with Duke and assisted him in connection with the scheme to defraud by agreeing to act as a loan processor for the scheme, as described in paragraph 97 below. Bastien has pled guilty to wire fraud in violation of 18 U.S.C. § 1343 in the United States District Court for the Eastern District of Michigan in the matter *United States v. Bastien*, No. 2:09-cr-20241 (E.D. Mich.), in connection with the scheme to defraud.

21. Defendant Ali Baydoun (“Ali Baydoun”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Ali Baydoun was associated with Duke and assisted him in connection with the scheme to defraud.

22. Defendant Jay Baydoun a/k/a Jalal Boydouin (“Jay Baydoun”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Jay Baydoun was associated with Duke and assisted him in connection with the scheme to defraud.

23. Defendant Chea Bennett (“Bennett”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Bennett was employed as a loan officer at Premier

and North American and was associated with Duke and assisted him in connection with the scheme to defraud.

24. Defendant Morgan Bevensee (“Bevensee”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Bevensee was associated with Duke and assisted him in connection with the scheme to defraud.

25. Defendant Kevin Bos (“Kevin Bos”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Kevin Bos was associated with Duke and assisted him in connection with the scheme to defraud.

26. Defendant Lisa Bos (“Lisa Bos”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Lisa Bos was associated with Duke and assisted him in connection with the scheme to defraud.

27. Defendant Robert Brierley (“Brierley”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Brierley was associated with Duke and assisted him in connection with the scheme to defraud.

28. Defendant Byron Dees (“Dees”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Dees was associated with Duke and assisted him in connection with the scheme to defraud.

29. Defendant Frank Gendernalik (“Frank Gendernalik”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Frank Gendernalik was associated with Duke and assisted him in connection with the scheme to defraud.

30. Defendant Susan Gendernalik (“Susan Gendernalik”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Gendernalik was associated with Duke and assisted him in connection with the scheme to defraud.

31. Defendant Ray Hall (“Hall”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Hall was associated with Duke and assisted him in connection with the scheme to defraud.

32. Defendant Hugh Bradley James (“James”) is a citizen of the State of Michigan. During some or all of the relevant time herein, James was associated with Duke and assisted him in connection with the scheme to defraud.

33. Defendant Kim Kent (“Kent”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Kent was associated with Duke and assisted him in connection with the scheme to defraud.

34. Defendant David Lara (“Lara”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Lara was associated with Duke and assisted him in connection with the scheme to defraud.

35. Defendant Harold Larsen (“Larsen”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Larsen was employed as a loan officer at American Nationwide and was associated with Duke and assisted him in connection with the scheme to defraud. Larsen has pled guilty to wire fraud in violation of 18 U.S.C. § 1343 in the Eastern District of Michigan in the matter of *United States v. Larsen*, No. 2:10-cr-20234 (E.D. Mich.), in connection with the scheme to defraud.

36. Defendant Danny Ley (“Ley”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Ley was associated with Duke and assisted him in connection with the scheme to defraud.

37. Defendant Patrick Lloyd (“Lloyd”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Lloyd was associated with Duke and assisted him in connection with the scheme to defraud.

38. Defendant Jose Martinez (“Martinez”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Martinez was associated with Duke and assisted him in connection with the scheme to defraud.

39. Defendant John Mayer (“Mayer”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Mayer was associated with Duke and assisted him in connection with the scheme to defraud.

40. Defendant Kathy McCutcheon a/k/a Kathy Sizemore (“McCutcheon”) is a citizen of the State of Michigan. During some or all of the relevant time herein, McCutcheon was associated with Duke and assisted him in connection with the scheme to defraud by agreeing to act as a loan processor for the scheme, as described in paragraph 97 below. McCutcheon has pled guilty to wire fraud in violation of 18 U.S.C. § 1343 in the United States District Court for the Eastern District of Michigan in the matter *United States v. McCutcheon*, No. 2:09-cr-20204 (E.D. Mich.), in connection with the scheme to defraud.

41. Defendant April Miller (“Miller”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Miller was associated with Duke and assisted him in connection with the scheme to defraud.

42. Defendant Collette Millitello (“Collette Millitello”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Collette Millitello was associated with Duke and assisted him in connection with the scheme to defraud.

43. Defendant Joseph Millitello (“Joseph Millitello”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Joseph Millitello was associated with Duke and assisted him in connection with the scheme to defraud.

44. Defendant Paul Morris (“Morris”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Morris was associated with Duke and assisted him in connection with the scheme to defraud.

45. Defendant Adelbert Moss (“Moss”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Moss was associated with Duke and assisted him in connection with the scheme to defraud.

46. Defendant Bryan Murphy (“Murphy”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Murphy was associated with Duke and assisted him in connection with the scheme to defraud.

47. Defendant Danielle Napper (“Napper”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Napper was associated with Duke and assisted him in connection with the scheme to defraud.

48. Defendant Suzanne Nicholas (“Nicholas”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Nicholas was associated with Duke and assisted him in connection with the scheme to defraud.

49. Defendant Daniel Panko (“Panko”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Panko was associated with Duke and assisted him in connection with the scheme to defraud.

50. Defendant Kathleen Pounds (“Pounds”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Pounds was associated with Duke and assisted him in connection with the scheme to defraud.

51. Defendant Larry Rideout (“Rideout”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Rideout was associated with Duke and assisted him in connection with the scheme to defraud.

52. Defendant Ricardo Rodriguez (“Rodriguez”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Rodriguez was employed as a loan officer at CBB and was associated with Duke and assisted him in connection with the scheme to defraud.

53. Defendant Frank Ray Schafer, Jr. (“Schafer”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Schafer was associated with Duke and assisted him in connection with the scheme to defraud.

54. Defendant Jeff Schuck (“Schuck”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Schuck was associated with Duke and assisted him in connection with the scheme to defraud.

55. Defendant Rachel Seman (“Seman”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Seman was associated with Duke and assisted him in connection with the scheme to defraud.

56. Defendant Michael Shilakes (“Shilakes”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Shilakes was a real estate agent for Owner Realty and was associated with Duke and assisted him in connection with the scheme to defraud.

57. Defendant Jamie Sweeney (“Sweeney”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Sweeney was a real estate agent for Real Estate One and was associated with Duke and assisted him in connection with the scheme to defraud.

58. Defendant Ronald Talaski, Jr. (“Talaski”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Talaski was associated with Duke and assisted him in connection with the scheme to defraud.

59. Defendant Mitchell Tomcsik (“Tomcsik”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Tomcsik was associated with Duke and assisted him in connection with the scheme to defraud.

60. Defendant Nicole Turcheck (“Nicole Turcheck”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Nicole Turcheck was employed as a loan officer at Aapex and was associated with Duke and assisted him in connection with the scheme to defraud. Nicole Turcheck currently owns and controls JS Realty.

61. Defendant Robert Turcheck (“Robert Turcheck”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Robert Turcheck was associated with Duke and assisted him in connection with the scheme to defraud.

62. Defendant Linda Wahler (“Wahler”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Wahler was associated with Duke and assisted him in connection with the scheme to defraud.

63. Defendant Donna Walbrook (“Walbrook”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Walbrook was associated with Duke and assisted him in connection with the scheme to defraud.

64. Defendant Paul Whiteside (“Whiteside”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Whiteside was associated with Duke and assisted him in connection with the scheme to defraud.

65. Jeremy Yaklin (“Yaklin”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Yaklin was associated with Duke and assisted him in connection with the scheme to defraud.

66. Defendant Kassem Zreik (“Zreik”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Zreik was employed as an appraiser by Desktop Appraisal Service LLC and was associated with Duke and assisted him in connection with the scheme to defraud.

Defendant Fidelity National Title Insurance Company

67. Defendant Fidelity National Title Insurance Company (“Fidelity”), a wholly owned subsidiary of Fidelity National Financial, Inc., is a title insurance company incorporated in California and headquartered in Jacksonville, Florida. From 2004 through 2007, Fidelity, through its agents, issued closing protection letters (“CPLs”), title commitments, and/or Loan Policies of Title Insurance to Fremont in connection with mortgage loan transactions connected to the scheme to defraud.

JURISDICTION AND VENUE

68. This Court has subject matter jurisdiction over the claims asserted herein pursuant to 28 U.S.C. § 1331 and the Racketeer Influenced and Corrupt Organizations Act (“RICO”), 18 U.S.C. § 1961, *et seq.*, and pursuant to 28 U.S.C. § 1367(a).

69. This Court has personal jurisdiction over all Defendants pursuant to Mich. Comp. Laws §§ 600.701, 600.705, 600.711, and 600.715 , and also has personal jurisdiction over all Defendants against whom RICO claims are alleged pursuant to 18 U.S.C. § 1965.

70. Venue is proper in this district under 28 U.S.C. § 1391 and 18 U.S.C. § 1965.

GENERAL FACTUAL ALLEGATIONS

Fremont

71. Fremont General Corporation was a financial services holding company with \$8.8 billion in total assets as of September 30, 2007. Fremont General Corporation conducted its financial services business through its wholly owned, indirect industrial bank subsidiary, Fremont. Fremont was primarily engaged in the business of originating 1-4 family sub-prime residential mortgage loans for sale into the secondary market. Fremont General Corporation filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code on June 18, 2008, thereby commencing Bankruptcy Case No. 8:08-bk-13421-ES in the United States Bankruptcy Court, Central District of California, Santa Ana Division.

72. On July 28, 2008, Fremont General Corporation completed the sale of Fremont’s retail bank deposits and certain other assets. Immediately following the sale, Fremont relinquished its federal deposit insurance certificate to the Federal Deposit Insurance Corporation

and surrendered its industrial bank charter to the California Department of Financial Institutions. In connection with the surrender of its bank charter, Fremont also changed its name from “Fremont Investment & Loan” to “Fremont Reorganizing Corporation.”

73. Fremont’s primary source of loans was via contractual relationships with third-party, licensed mortgage brokerages, commonly referred to as a wholesale lending channel. In wholesale lending, representatives of the mortgage brokerage (referred to as mortgage brokers, loan agents, or loan officers) have the direct relationship with the borrower, and present loan options to the borrower based on wholesale lending programs offered by various lenders, such as Fremont, with whom the independent mortgage brokerage maintains relationships.

Operation of the Mortgage Fraud Scheme

74. Sometime in or around December 2001, Duke created Specialty Holdings, Inc. (“Specialty Holdings”) and incorporated it in Michigan. Duke was the President, Secretary and Treasurer of Specialty Holdings. On information and belief, Specialty Holdings was created ostensibly to act as an “investment club” that would purchase residential properties, manage the properties, and rent them out. In fact, however, Specialty Holdings operated as a vehicle to defraud mortgage lenders out of tens of millions of dollars.

75. In general, Duke’s mortgage fraud scheme worked as follows: Duke or someone at his direction would locate residential real properties for sale and arrange for a nominal or straw buyer to purchase a property and obtain a loan from a financial institution to finance the purchase. In some instances, the mortgage loan proceeds would be used to actually purchase the property in the name of the straw buyer – these mortgage loans are referred to in this Complaint as straw loans. In other instances, the mortgage loan proceeds were not used to purchase the

property at all, but instead were stolen and used to enrich the participants in the scheme – these mortgage loans are referred to in this Complaint as ghost loans. In the case of both straw and ghost loans, Duke and others under his direction and control would create materially false and fraudulent documents in order to obtain mortgage loans, including but not limited to: loan applications, lease agreements, verifications of deposit, purchase agreements, warranty deeds, mortgages, and mortgage notes.

Straw Loans

76. In the case of a straw loan, Duke or someone at his direction would recruit and pay a person with an acceptable credit history (a “straw buyer”) to act as the borrower on the transaction. One of the members of Duke’s criminal enterprise, working as a loan processor or loan officer, would next prepare a loan application to submit to a mortgage lender for funding. In some instances, the loan application would indicate that the straw buyer intended to use the property as a primary residence, but that statement would in fact not be true.

77. The loan applications for straw loans indicated that the 20% down payment to be paid to the property’s seller would be paid from the straw buyer’s own funds. These representations were materially false and fraudulent because the funds from the down payment would be paid from the proceeds of another mortgage loan obtained by fraud in connection with a wholly different property, or with other funds provided by Duke or others under his direction and control.

78. The loan applications for straw loans were also materially false and fraudulent because they inflated the income of the straw buyer.

79. In some instances, a verification of deposit (“VOD”) would be submitted with the loan application for a straw loan. The VOD represented that the straw buyer had a bank account with a large balance. These representations were materially false and fraudulent because the account balance had been inflated by a temporary transfer into the account of funds not belonging to the straw buyer.

80. In connection with straw loans, Duke or others under his direction and control would arrange for the loan to close and for legal title for the subject property to transfer from the seller to the straw buyer through a warranty deed. Duke and others under his direction and control, acting through Specialty Holdings, would then control the subject property and rent it to third-party tenants. Participants in the scheme would refer to these properties as “controlled” properties.

Ghost Loans

81. In the case of a ghost loan, as in the case of a straw loan, Duke or others at his direction would recruit and pay a straw buyer to act as the borrower on the transaction.

82. In the case of a ghost loan, unlike a straw loan, there was no actual sale or purchase of the subject property intended. Thus, the agreement to purchase the subject property was materially false and fraudulent. The nominal seller identified in a purchase agreement for a ghost loan was either: (a) a straw buyer from a straw loan transaction involving the subject property; or (b) the true owner of the subject property who was unaware of any purported sale of the property.

83. As in the case of a straw loan, a member of the Duke criminal enterprise, working as a loan processor or loan officer, would prepare a loan application to submit to a mortgage

lender for funding. The loan application submitted to a lender for a ghost loan would indicate that the straw buyer intended to use the property either as an investment or a primary residence, but neither would in fact be true. If the loan application indicated that the property would be used as an investment, Duke or others at his direction would prepare and submit to the lender a lease agreement purportedly between the straw buyer and a third-party tenant showing that the straw buyer would receive a stream of rental income from the property. These lease agreements were false and fraudulent because the straw buyer had no intention of leasing the property and there was no third-party tenant.

84. In the case of a ghost loan, Duke or someone at his direction would obtain a cashier's check purporting to represent the 20% down payment to the seller, but the cashier's check would subsequently be cancelled and no transfer of funds would occur.

85. The loan applications for ghost loans were also materially false and fraudulent because, among other things, they inflated the income of the straw buyer.

86. As in the case of a straw loan, in some instances, a VOD would be submitted with the loan application for a ghost loan. The VOD represented that the straw buyer had a bank account with a large balance. These representations were materially false and fraudulent because the account balance had been inflated by a temporary transfer into the account of funds not belonging to the straw buyer.

87. In the case of a ghost loan, Duke or someone at his direction working at a Duke owned and controlled closing agent would fabricate a counterfeit warranty deed purporting to transfer title from the nominal seller to the straw buyer and forge signatures of both buyer and seller on the deed. These warranty deeds were never recorded in the county register of deeds.

88. In the case of a ghost loan, Duke and others working at Duke owned and controlled closing agents knew mortgage and mortgage loan documents would be created by the mortgage lender that purported to convey a mortgage interest in the property to the lender to secure the straw buyer's debt to the lender. Duke or someone at his direction would forge signatures on the mortgages and mortgage notes. Duke and others working at Duke owned and controlled closing agents would not record these mortgages and mortgage loans in the county register of deeds and, consequently, the mortgage lenders in ghost loan transactions would not obtain a mortgage interest in the subject property.

89. In the case of a ghost loan, Duke or someone at his direction working at a Duke owned and controlled closing agent would fabricate HUD-1 settlement statements to give the appearance that a closing of the purchase transaction had occurred and the property had been conveyed; however, there was no actual transfer of funds from the straw buyer to the nominal seller and no actual transfer of legal title from the nominal seller to the straw buyer.

90. In the case of a ghost loan, Duke and others would use the funds advanced by the mortgage lender to: (a) enrich themselves and other participants in the scheme; (b) make down payments in connection with straw loans; (c) make some monthly payments on both straw and ghost loans; (d) invest in Hardcore Racing and Hardcore Motorsports; and (e) otherwise continue the scheme.

Roles of the Participants in the Scheme

91. Each of the participants in the scheme would perform one or more roles in connection with obtaining both straw and ghost loans. These roles included, but were not limited

to: property locator, recruiter, straw buyer, appraiser, document counterfeiter, loan processor, mortgage broker or loan officer, closing and/or issuing agent. *See* Exhibit A hereto.

92. Property locators were generally licensed real estate agents who would locate homes to be purchased through straw loans in the names of straw buyers. Property locators involved in the scheme knew the straw buyers were merely posing as borrowers for purposes of obtaining mortgage loans and that the 20% down payments advanced by the straw buyers were not paid with the straw buyers' own funds. Defendants Baker, Bazzi, Shilakes, Sweeney, and Robert Turcheck acted as property locators in connection with the scheme.

93. Recruiters were involved in recruiting persons to act as straw buyers for the properties in both straw and ghost loan transactions. Recruiters involved in the scheme knew the straw buyers were merely posing as borrowers for purposes of obtaining mortgage loans. Defendants Jay Baydoun, Sweeney, and Robert Turcheck acted as recruiters in connection with the scheme.

94. Straw buyers were paid a substantial amount of money to pose as borrowers in both straw and ghost loan transactions. Straw buyers would allow their names to be used on loan applications and other documents knowing they were merely posing as borrowers for purposes of obtaining mortgage loans. Defendants Auty, Bevensee, Kevin Bos, Lisa Bos, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Ley, Lloyd, Martinez, Mayer, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Nicholas, Panko, Pounds, Rideout, Schafer, Schuck, Talaski, Tomcsik, Wahler, Whiteside, and Yaklin acted as straw buyers in connection with the scheme.

95. Appraisers prepared fraudulent property appraisals for ghost loan transactions to give the appearance that the property was the subject of a purchase transaction. Appraisers involved in the scheme knew no actual purchase of the property would transpire. Defendants Baker and Zreik acted as appraisers in connection with the scheme.

96. Document counterfeiters were involved in fabricating documents and forging signatures in connection with both straw and ghost loan transactions, including, but not limited to: loan applications, lease agreements, VODs, warranty deeds, mortgages, mortgage notes, closing protection letters, and HUD-1 settlement statements. Document counterfeiters in the scheme knew the information included in the documents they prepared was false and fraudulent. Defendants Bastien, Ali Baydoun, Jay Baydoun, Bennett, Brierley, Duke, Larsen, McCutcheon, Napper, Peters, Richardson, Rodriguez, Sturgeon, Nicole Turcheck, Walbrook, Wells, and Zundel acted as document counterfeiters in connection with the scheme.

97. Loan processors completed loan applications on behalf of straw buyers, collected and organized documents and information for inclusion in loan packages, participated in the submission of loan packages to the mortgage lenders, and communicated with mortgage lenders about loan applications. Loan processors involved in the scheme knew that, among other things, the straw buyers were merely posing as borrowers for purposes of obtaining mortgage loans, the down payments identified in the loan applications would not be paid from the straw buyers' own funds, the straw buyers had no intention of either renting the property or occupying it themselves, and lease agreements and VODs were false and fraudulent. Defendants Ali Baydoun, Bastien, McCutcheon, Seman, and Walbrook acted as loan processors in connection with the scheme.

98. Mortgage brokers and loan officers also participated in the submission of loan applications and loan packages to the mortgage lenders and communicated with the mortgage lenders. Mortgage brokers or loan officers involved in the scheme knew that, among other things, the straw buyers were merely posing as borrowers for purposes of obtaining mortgage loans, the down payments identified in the loan applications would not be paid from the straw buyers' own funds, the straw buyers had no intention of either renting the property or occupying it themselves, and lease agreements and VODs were false and fraudulent. Defendants Jay Baydoun, Bennett, Larsen, Napper, Rodriguez, Sturgeon, Nicole Turcheck, and Zundel acted as mortgage brokers or loan officers in connection with the scheme.

99. Closing and/or issuing agents were involved in closing straw loan transactions. They were also involved in documenting ghost loan transactions to give the appearance that the ghost loans were actually closed. Defendants First Escrow, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Brierley, Duke, Peters, Richardson, and Wells acted as closing and/or issuing agents in connection with the scheme.

Loans Funded by Fremont

100. From 2004 to at least 2007, Duke or someone at his direction applied for and obtained at least fifty-nine (59) loans, both straw and ghost, from Fremont. Fremont is currently investigating the potential involvement of Duke or someone at his direction in applying for and obtaining up to seventy-seven (77) other straw and/or ghost loans from Fremont during the relevant time.

101. Based on the investigation to date, the following loans funded by Fremont were straw loans:

	<u>Borrower</u>	<u>Date</u>	<u>Property Address</u>	<u>Amount of Loan</u>
a.	Carlo Palmeri	1/18/05	7285 Inkster Rd. W. Bloomfield, MI 48301	\$296,000.00
b.	Carlo Palmeri	1/18/05	7236 Andover Dr. Canton, MI 48187	\$388,000.00
c.	Larry M. Yount	10/26/05	7763 N. Inkster Rd. Westland, MI 48185	\$161,500.00
d.	Suzanne Nicholas	11/10/05	9027 Potterville Rd. Augusta, MI 48191	\$260,000.00
e.	David Lara	11/28/05	4944 Birkdale Dr. Commerce Twshp, MI 48382	\$388,800.00
f.	Morgan Bevensee	12/12/05	802 Mt. Vernon Blvd. Royal Oak, MI 48073	\$328,000.00
g.	Ramon R. Lara, Jr.	2/14/06	6896 Colony Dr. W. Bloomfield, MI 48323	\$336,000.00
h.	Collette J. Millitello Joseph A. Millitello	7/26/05	11856 Harbor Lane Van Buren, MI 48111	\$280,000.00
i.	Frank Ray Schafer II	4/27/05	1546 N. Liberty St. Canton, MI 48188	\$343,200.00
j.	Danny Ley	8/24/06	736 Miller Ann Arbor, MI 48103	\$264,000.00
k.	Danny Ley	8/28/06	738 Miller Ann Arbor, MI 48103	\$270,400.00
l.	Joseph C. Joseph	10/23/06	45138 Pinetree Dr. Plymouth, MI 48170	\$268,000.00
m.	Robert Applebee Darla Applebee	11/14/05	2145 Rawsonville Rd. Belleville, MI 48111	\$240,000.00

n.	Danny Ley	10/25/06	38148 Vista Drive #30 Livonia, MI 48152	\$280,000.00
o.	Eric Broad	9/8/06	26509 Sheahan Dr. Dearborn Hts, MI 48127	\$261,600.00
p.	Ronnie E. Duke	8/29/06	2024 Medina Dr. Wixom, MI 48393	\$300,000.00
q.	Brian L. Murphy Donna M. Galante	12/6/04	32308 Church St. Rockwood, MI 48173	\$ 90,400.00

102. Based on the investigation to date, the following loans funded by Fremont were ghost loans:

	<u>Borrower</u>	<u>Date</u>	<u>Property Address</u>	<u>Amount of Loan</u>
a.	Adelbert Moss	6/8/04	147 Coalmont Walled Lake, MI 48390	\$384,000.00
b.	Susan Gendernalik	4/8/05	3395 N. Maple Rd. Scio, MI 48105	\$360,000.00
c.	Susan Gendernalik	4/12/05	5967 Lohr Lake Dr. Pittsfield, MI 48108	\$353,200.00
d.	Frank Ray Schafer II	4/26/05	2970 Viking Dr. Commerce Twshp, MI 48390	\$284,000.00
e.	Frank Ray Schafer II	4/28/05	44977 Middlebury Ct. Canton, MI 48188	\$283,200.00
f.	Byron Dees	5/12/05	5127 Lake Bluff Rd. W. Bloomfield, MI 48323	\$436,000.00
g.	Paul Morris	5/20/05	21925 Rathlone Dr. Novi, MI 48187	\$280,000.00
h.	Brian Murphy	6/13/05	1884 Magnolia Dr. Commerce, MI 48390	\$496,000.00

i.	Daniel M. Panko	6/30/05	8545 Pineview Lake Dr. Linden, MI 48451	\$206,400.00
j.	Joseph A. Millitello Collette J. Millitello	7/22/05	48280 Gladstone Canton, MI 48188	\$347,900.00
k.	Jeremy Yaklin	7/28/05	6618 Kings Ct. W. Bloomfield, MI 48322	\$436,000.00
l.	Frank Gendernalik	7/28/05	9239 Garrison Ct. Green Oak, MI 48178	\$352,000.00
m.	Mitchell Tomcsik Jr.	9/30/05	6234 Orchard Wood Dr. W. Bloomfield, MI 48324	\$460,000.00
n.	Mitchell Tomcsik Jr.	10/10/05	8785 Bayview Ct. Pinckney, MI 48169	\$417,600.00
o.	Suzanne Nicholas	11/8/05	3862 Sleepy Fox Dr. Rochester Hills, MI 48309	\$388,000.00
p.	David Lara	11/18/05	9700 Susin Lane Clarkston, MI 48348	\$400,000.00
q.	Paul Whiteside	11/21/05	8674 Oakside Ave. Commerce TWP, MI 48382	\$400,000.00
r.	Paul Whiteside	11/21/05	8271 Cooley Beach Dr. White Lake, MI 48386	\$497,600.00
s.	David Lara	12/9/05	11272 Maple Shores Dr. Goodrich, MI 48438	\$240,000.00
t.	Suzanne Nicholas	12/12/05	9112 Chambord Dr. Augusta TWP, MI 48197	\$280,000.00
u.	Kevin Bos	2/10/06	3165 Kendrick St. Keego Harbor, MI 48320	\$417,600.00
v.	Lisa Bos	3/29/06	3500 Union Lake Rd. Commerce TWP, MI 48382	\$424,000.00

w.	Jeff Schuck	3/29/06	8655 Lillian Dr. Washington, MI 48094	\$264,000.00
x.	Lisa Bos	4/13/06	25435 Sullivan Lane Novi, MI 48375	\$335,200.00
y.	Lisa Bos	4/18/06	1368 Chaise Ct. South Lyon, MI 48178	\$318,024.00
z.	Jose Martinez	4/25/06	3856 Sleeth Rd. Commerce, MI 48382	\$456,000.00
aa.	Hugh Bradley James	4/28/06	3891 Fenmore Ave. Waterford, MI 48328	\$316,000.00
bb.	Andrew Auty	5/2/06	957 Lakeside Dr. Brighton, MI 48116	\$579,200.00
cc.	Linda Wahler	7/11/06	6485 Shannon Glen Dr. #25 Fenton, MI 48430	\$349,600.00
dd.	John P. Mayer	10/10/06	4590 Valleyview Dr. W. Bloomfield, MI 48323	\$320,000.00
ee.	Kathleen Pounds	10/18/06	1977 Ridge Rd. White Lake, MI 48383	\$433,600.00
ff.	Patrick Lloyd	10/20/06	4400 Timber Lake Tr. #6 Highland, MI 48357	\$476,000.00
gg.	Ray Hall	10/24/06	371 Hunters Ridge Brandon TWP, MI 48462	\$369,000.00
hh.	Ray Hall	10/24/06	372 Hunters Ridge Brandon TWP, MI 48462	\$357,750.00
ii.	Larry Rideout	11/30/06	11280 Tyrone Tr. Fenton, MI 48430	\$350,000.00
jj.	Ronald Talaski Jr.	12/14/06	3999 Fenmore Ave. Waterford, MI 48328	\$271,920.00

kk.	Kim Kent	12/20/06	45996 Windridge Lane Canton, MI 48188	\$308,000.00
ll.	John Mayer Jr.	12/27/06	6861 Corrigan Dr. Brighton, MI 48116	\$264,000.00
mm.	April Miller	12/29/06	3338 Cummings Ave. Royal Oak, MI 48073	\$320,000.00
nn.	Kim Marie Kent	2/14/07	3356 Talbert Circle #187 Rochester Hills, MI 48307	\$289,300.00
oo.	Daniel Martin Panko	6/30/05	13360 N. Fenton Rd. Fenton, MI 48430	\$304,000.00
pp.	Paul Whiteside	11/21/05	6739 Wellesley Terrace Clarkston, MI 48346	\$468,000.00

103. Based on the investigation to date, in connection with the straw loans funded by Fremont listed in paragraph 101 above, Rodriguez, Sturgeon, Nicole Turcheck, or someone at Duke's direction submitted false and fraudulent loan applications and loan packages to Fremont within a month or two prior to the funding of the loan. Based on the investigation to date, Rodriguez submitted false and fraudulent loan applications and loan packages to Fremont in connection with the transactions (a), (b), (g), (h), (i), (j), (k), (l), (n), and (q) identified in paragraph 101, Sturgeon submitted false and fraudulent loan applications and loan packages to Fremont in connection with the transactions (d), (e), (f), and (m) identified in paragraph 101, and Nicole Turcheck submitted false and fraudulent loan applications and loan packages to Fremont in connection with the transaction (o) identified in paragraph 101. Based on the investigation to date, forged warranty deeds were also submitted in connection with some or all of the straw loans funded by Fremont listed in paragraph 101 above. Fremont reasonably relied upon the false and fraudulent documents when it agreed to fund the loans and transfer the loan proceeds.

104. In connection with the ghost loans funded by Fremont listed in paragraph 102 above, Sweeney, Bazzi, Baker, Shilakes or someone at Duke's direction submitted false and fraudulent purchase agreements to Fremont within a month or two prior to the funding of the loan. Based on the investigation to date, Sweeney submitted false and fraudulent purchase agreements in connection with the transactions (b), (c), (d), (e), (f), (g), (h), (j), (p), (q), (r), (s), and (pp) identified in paragraph 102, Bazzi submitted false and fraudulent purchase agreements in connection with the transaction (k) identified in paragraph 102, Baker submitted false and fraudulent purchase agreements in connection with the transactions (m), (o), (t), (v), (x), and (z) identified in paragraph 102, and Shilakes submitted false and fraudulent purchase agreements in connection with the transactions (y), (gg), and (hh) identified in paragraph 102. Fremont reasonably relied upon the false and fraudulent documents when it agreed to fund the loans and transfer the loan proceeds.

105. In connection with the ghost loans funded by Fremont listed in paragraph 102 above, Rodriguez, Sturgeon, Bennett, Larsen, or someone at Duke's direction submitted loan applications and loan packages to Fremont within a month or two prior to the funding of the loan. Based on the investigation to date, Rodriguez submitted false and fraudulent loan applications and loan packages to Fremont in connection with the transactions (a), (b), (c), (d), (e), (f), (i), (k), (l), (m), (r), (v), (x), (y), (z), (oo), and (pp) identified in paragraph 102, Sturgeon submitted false and fraudulent loan applications and loan packages to Fremont in connection with the transactions (g), (h), (j), (n), (o), (p), (q), (s), and (t) identified in paragraph 102, Bennett submitted false and fraudulent loan applications and loan packages to Fremont in connection with the transactions (w), (aa), (bb), (dd), (ff), (ii), (jj), and (ll) identified in paragraph 102, and

Larsen submitted false and fraudulent loan applications and loan packages to Fremont in connection with the transactions (cc), (ee), (gg), and (hh) identified in paragraph 102. Fremont reasonably relied upon the false and fraudulent documents when it agreed to fund the loans and transfer the loan proceeds.

106. In connection with the ghost loans funded by Fremont listed in paragraph 102 above, Duke, Richardson, Sturgeon, or someone at Duke's direction submitted counterfeit, false and fraudulent HUD-1 settlement statements, CPLs, warranty deeds, mortgages and/or mortgage loans – many of which also included forged signatures – to Fremont just prior to or at the time of the funding of the loan. Based on the investigation to date, Duke submitted false and fraudulent HUD-1 settlement statements, CPLs, warranty deeds, mortgages and/or mortgage loans in connection with the transactions (a), (b), (c), (d), (g), (m), (o), (p), (q), (r), (t), and (pp) identified in paragraph 102, Richardson submitted false and fraudulent HUD-1 settlement statements, CPLs, warranty deeds, mortgages and/or mortgage loans in connection with the transactions (e), (f), (i), (j), (k), (l), (u), (w), (aa), (bb), (cc), (dd), (ee), (ff), (gg), (hh), (ii), (jj), (kk), (ll), (mm), (nn), and (oo) identified in paragraph 102, and Sturgeon submitted false and fraudulent HUD-1 settlement statements, CPLs, warranty deeds, mortgages and/or mortgage loans in connection with the transaction (s) identified in paragraph 102. Fremont reasonably relied upon the false and fraudulent documents when it agreed to fund the loans and transfer the loan proceeds.

107. In the case of the ghost loans funded by Fremont listed in paragraph 102 above, the warranty deeds, mortgages, and/or mortgage notes were never recorded. The funds Fremont advanced were transferred by wire to escrow accounts under Duke's control at various financial institutions. Duke and others converted and misappropriated those funds for their own personal

use and enjoyment and to make down payments and monthly payments on other loans in order to continue the scheme without detection.

108. In the case of each of the straw and ghost loans funded by Fremont listed in paragraphs 101 and 102 above, Duke and others involved in the scheme failed to make payments of principal and interest due and owing and the loans all quickly became delinquent. Unpaid principal and interest on the fifty-nine (59) loans funded by Fremont is in excess of \$20,000,000.00.

Federal Authorities Uncover the Scheme

109. On information and belief, federal authorities discovered Duke's scheme to defraud sometime in 2007 while investigating a separate, unrelated criminal enterprise. Duke's scheme to defraud would have continued indefinitely had federal authorities not discovered it. Fremont learned of Duke's scheme to defraud in October 2007 when it learned of an FBI criminal investigation of four of the closing agents owned and/or controlled by Duke.

RICO PREDICATE ACT ALLEGATIONS

Mail and Wire Fraud

110. There were in force and effect at all relevant times criminal statutes of the United States involving mail and wire fraud, 18 U.S.C. § 1341 and 18 U.S.C. § 1343.

111. Beginning in 2003, Duke devised and, along with other defendants, implemented a scheme to defraud and to obtain money and property by false and fraudulent representations and promises from Fremont and other mortgage lenders. The scheme included Duke's acquisition and/or control of closing and/or issuing agents and using those companies in connection with obtaining mortgage loans by false and fraudulent representations and promises.

112. To sustain, advance and prevent detection of the scheme to defraud, as alleged more specifically in paragraphs 76, 77, 78, 83, 85, 103, and 105 above, Duke and other defendants caused statements to be made in loan applications and loan packages regarding straw buyers, the proposed use of subject properties, and the source of funds to be used for down payments on the subject properties, knowing such statements to be false.

113. To sustain, advance and prevent detection of the scheme to defraud, as alleged more specifically in paragraphs 82 and 104 above, Duke and other defendants fabricated purchase agreements for ghost loans representing that a nominal seller intended to convey the subject property to a straw buyer, knowing such representations to be false.

114. To sustain, advance and prevent detection of the scheme to defraud, as alleged more specifically in paragraphs 87 and 106 above, Duke and other defendants fabricated warranty deeds in connection with ghost loans purporting to transfer title from a nominal seller to a straw buyer, knowing such warranty deeds to be false.

115. To sustain, advance and prevent detection of the scheme to defraud, as alleged more specifically in paragraphs 88, 89, and 106 above, Duke and other defendants fabricated HUD-1 settlement statements in connection with ghost loans to give the appearance that a closing of the purchase transaction had occurred and the property had been conveyed, knowing that such appearance was false.

116. To sustain, advance and prevent detection of the scheme to defraud, Duke and other defendants, including Wells, Richardson, Peters, Brierley, First Escrow, Lawyers Escrow, Liberty Title, MotorCity, and Nations Title, established and maintained escrow accounts under Duke's control at, among others, JP Morgan Chase and Great Lakes FSB, for the purpose of receiving mortgage loan proceeds from Fremont and other mortgage lenders and misappropriating and converting them to Duke's control.

117. To sustain, advance and prevent detection of the scheme to defraud, Duke and other defendants, including Wells, Richardson, Peters, and Brierley, laundered the mortgage loan proceeds obtained from Fremont and other mortgage lenders through a variety of methods, including but not limited to, investing in Hardcore Racing and Hardcore Motorsports.

118. In furtherance or execution of the scheme to defraud, Duke and other defendants caused to be used, on numerous occasions, the U.S. Postal Service, private or commercial interstate carriers, and interstate wires and telephone lines, in violation of the federal mail and wire fraud statutes, 18 U.S.C. §§ 1341 and 1343, including but not limited to the following:

- (a) mailing and wiring to financial institutions false and fraudulent purchase agreements, loan applications, verifications of deposit, lease agreements, and statements of income, as alleged more specifically in paragraphs 76, 77, 78, 82, 83, 85, 92, 93, 94, 95, 96, 97, 98, 103, 104, and 105 above;

- (b) mailing and wiring to financial institutions forged, false, or fraudulent mortgages, mortgage notes and warranty deeds, as alleged more specifically in paragraphs 87, 88, 89, 98, 99, and 106 above;
- (c) transferring by wire or causing to be so transferred funds and other assets of Fremont and other mortgage lenders directly and indirectly to banks or other financial accounts within the United States maintained and controlled by, or held in the names of, Duke, his aliases, or entities owned and controlled by him. By way of example only, such transfers include the following illegal wire transfers of funds from accounts held by Fremont:

<u>Date</u>	<u>Amount of Wire Transfer</u>	<u>Originating Account</u>	<u>Receiving Account</u>	<u>Involved Defendants</u>
6/8/2004	\$388,841.31	Wells Fargo Bank Acct # 10029481	University Bank Acct #2685604	Moss Duke First Escrow
4/8/2005	\$360,878.38	Wells Fargo Bank Acct # 10029481	Bank One Michigan Acct #656840444	Susan Gendernalik Duke Wells Richardson Lawyers Escrow
4/12/2005	\$354,297.71	Wells Fargo Bank Acct # 10029481	Bank One Michigan Acct #656840444	Susan Gendernalik Duke Wells Richardson Lawyers Escrow
4/26/2005	\$285,551.65	Wells Fargo Bank Acct # 10029481	Bank One Michigan Acct #656840444	Schafer Duke Wells Richardson Lawyers Escrow
4/28/2005	\$284,891.59	Wells Fargo Bank Acct # 10029481	Bank One Michigan Acct #656840444	Schafer Richardson Wells Lawyers Escrow

5/12/2005	\$437,487.70	Wells Fargo Bank Acct # 10029481	Bank One Michigan Acct #656840444	Dees Richardson Wells Lawyers Escrow
5/20/2005	\$281,146.14	Wells Fargo Bank Acct # 10029481	Citizens Bank Acct #4527931929	Morris Duke Liberty Title
6/13/2005	\$493,201.94	Wells Fargo Bank Acct # 10029481	Great Lakes FSB Acct # 01883415221	Murphy Peters MotorCity
6/30/2005	\$207,455.26	Wells Fargo Bank Acct # 10029481	Bank One Michigan Acct # 653330050	Panko Richardson Brierley Liberty Title
7/22/2005	\$349,572.00	Wells Fargo Bank Acct # 10029481	Bank One Michigan Acct # 662124288	Colette Millitello Joseph Millitello Richardson Duke First Escrow
7/28/2005	\$439,014.26	Wells Fargo Bank Acct # 10029481	Bank One Michigan Acct # 662124288	Yaklin Richardson Duke First Escrow
7/28/2005	\$354,240.18	Wells Fargo Bank Acct # 10029481	Bank One Michigan Acct # 662124288	Frank Gendernalik Richardson Duke First Escrow
9/30/2005	\$463,538.20	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 662124569	Tomcsik Duke First Escrow
10/10/2005	\$418,811.38	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 662124569	Tomcsik Duke First Escrow

11/8/2005	\$392,816.20	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 662124569	Nicholas Duke First Escrow
11/18/2005	\$403,325.55	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 662124569	David Lara Duke First Escrow
11/21/2005	\$406,083.10	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 662124569	Whiteside Duke First Escrow
11/21/2005	\$505,402.40	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 662124569	Whiteside Duke First Escrow
12/9/2005	\$241,241.03	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 662124569	David Lara Sturgeon Duke First Escrow
12/12/2005	\$281,845.50	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 662124569	Nicholas Duke First Escrow
2/10/2006	\$418,865.58	Wells Fargo Bank Acct # 10029481	Nat'l City Midwest Acct # 982280434	Kevin Bos Richardson Nations Title
3/29/2006	\$426,875.50	Wells Fargo Bank Acct # 10029481	Great Lakes FSB Acct # 1883415221	Lisa Bos Brierley MotorCity First Escrow
3/29/2006	\$265,369.04	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 656840444	Schuck Richardson Wells Lawyers Escrow
4/13/2006	\$336,098.26	Wells Fargo Bank Acct # 10029481	Great Lakes FSB Acct # 1883415221	Lisa Bos Brierley MotorCity

4/18/2006	\$319,184.99	Wells Fargo Bank Acct # 10029481	Great Lakes FSB Acct # 1883415221	Lisa Bos Brierley MotorCity
4/25/2006	\$458,804.36	Wells Fargo Bank Acct # 10029481	Great Lakes FSB Acct # 1883415221	Martinez Brierley MotorCity
4/28/2006	\$314,722.62	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 656840444	James Richardson Wells Lawyers Escrow
5/2/2006	\$578,251.07	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 656840444	Auty Richardson Wells Lawyers Escrow
7/11/2006	\$350,312.89	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 716567946	Wahler Richardson Brierley Nations Title
10/10/2006	\$317,383.42	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 656840444	Mayer Richardson Wells Lawyers Escrow
10/18/2006	\$439,685.10	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct #716567946	Pounds Richardson Brierley Nations Title
10/20/2006	\$473,698.06	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 656840444	Lloyd Richardson Wells Lawyers Escrow
10/24/2006	\$370,924.98	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 716567946	Hall Richardson Brierley Nations Title

10/24/2006	\$359,583.60	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 716567946	Hall Richardson Brierley Nations Title
11/30/2006	\$343,588.28	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 656840444	Rideout Richardson Wells Lawyers Escrow
12/14/2006	\$269,679.92	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 656840444	Talaski Richardson Wells Lawyers Escrow
12/20/2006	\$312,246.02	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 716568472	Kent Richardson Brierley Nations Title
12/27/2006	\$265,940.10	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 656840444	Mayer Richardson Wells Lawyers Escrow
12/29/2006	\$325,106.87	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 716568472	Miller Richardson Brierley Nations Title
2/14/2007	\$292,954.40	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 716568472	Kent Richardson Brierley Nations Title
1/18/2005	\$300,105.02	Wells Fargo Bank Acct # 10029481	Comerica Bank Acct # 1851482800	Palmeri
1/18/2005	\$393,680.28	Wells Fargo Bank Acct # 10029481	Comerica Bank Acct # 1850203009	Palmeri

6/30/2005	\$306,009.87	Wells Fargo Bank Acct # 10029481	Bank One MI Acct #653330050	Panko Richardson Liberty Title
10/26/2005	\$158,145.40	Wells Fargo Bank Acct # 10029481	Huntington Nat'l Acct #01661795575	Yount Liberty Title Nations Title
11/10/2005	\$260,439.71	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 686816398	Nicholas
11/21/2005	\$475,281.00	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 662124569	Whiteside Duke First Escrow
1/28/2005	\$390,040.46	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 662124569	David Lara Duke First Escrow
12/12/2005	\$328,797.90	Wells Fargo Bank Acct # 10029481	Huntington Nat'l Acct #01661948995	Bevensee Nations Title
2/14/2006	\$337,133.45	Wells Fargo Bank Acct # 10029481	Independent Bank E. Acct # 039006700	Ramon Lara
7/26/2005	\$281,349.86	Wells Fargo Bank Acct # 10029481	Comerica Bank Acct # 2000020939	Collette Millitello Joseph Millitello
4/27/2005	\$345,363.86	Wells Fargo Bank Acct # 10029481	Fifth Third Bank Acct # 7911338551	Schafer
8/24/2006	\$265,075.22	Wells Fargo Bank Acct # 10029481	Bank of Ann Arbor Acct # 0100023423	Ley
8/28/2006	\$271,778.90	Wells Fargo Bank Acct # 10029481	Bank of Ann Arbor Acct # 0100023423	Ley
10/23/2006	\$267,044.81	Wells Fargo Bank Acct # 10029481	Citizens Bank Acct # 4528205539	Joseph
11/14/2005	\$242,858.49	Wells Fargo Bank Acct # 10029481	Independent Bank E. Acct # 039006700	Robert Applebee Darla Applebee

10/25/2006	\$281,256.66	Wells Fargo Bank Acct # 10029481	Citizens Bank Acct # 4528205539	Ley
9/8/2006	\$263,032.78	Wells Fargo Bank Acct # 10029481	JP Morgan Chase Acct # 697551703	Broad
8/29/2006	\$304,723.83	Wells Fargo Bank Acct # 10029481	Republic Bank Acct # 3128011081	Duke
12/6/2004	\$ 89,815.56	Wells Fargo Bank Acct # 10029481	Comerica Bank Acct # 1851594046	Murphy Galante

Money Laundering

119. There were in force and effect at all relevant times criminal statutes of the United States involving money laundering, 18 U.S.C. §§ 1956(a)(1) and (2).

120. Beginning in 2003, Duke and other defendants, including Wells, Richardson, Peters, Brierley, First Escrow, Lawyers Escrow, Liberty Title, MotorCity, and Nations Title, conducted or attempted to conduct financial transactions which they knew, or deliberately and consciously avoided confirming, involved funds that were the proceeds of some form of unlawful activity, and were designed to conceal or disguise the nature, location, ownership, or control of the funds, in violation of 18 U.S.C. § 1956(a)(1). These transactions included, but were not limited to, the following:

- (a) transactions identified in paragraph 118(c) above that included wire transfers to the receiving accounts held in the names of Duke-related entities at the financial institutions designated;
- (b) transactions that included wire transfers from the receiving accounts identified in paragraph 118(c) above held in the names of Duke-related entities; and

- (c) investment of proceeds illegally obtained through the scheme to defraud in Hardcore Racing and Hardcore Motorsports.

COUNT I

CLAIMS AGAINST DEFENDANTS DUKE, ZUNDEL, WELLS, RICHARDSON, PETERS, STURGEON, AMERICAN NATIONWIDE, AAPEX, CBB, FIRST ESCROW, HARDCORE MOTORSPORTS, HARDCORE RACING, JS REALTY, LAWYERS ESCROW, LIBERTY TITLE, MOTORCITY, NATIONS TITLE, NORTH AMERICAN HOME, OWNER REALTY, PREMIER, QUOTEMEAREATE, REAL ESTATE ONE, SPECIALTY HOLDINGS, AUTY, BAKER, BASTIEN, BAZZI, ALI BAYDOUN, JAY BAYDOUN, BENNETT, BEVENSEE, KEVIN BOS, LISA BOS, BRIERLEY, DEES, FRANK GENDERNALIK, SUSAN GENDERNALIK, HALL, JAMES, KENT, LARA, LARSEN, LEY, LLOYD, MARTINEZ, MAYER, MCCUTCHEON, MILLER, COLLETTE MILLITELLO, JOSEPH MILLITELLO, MORRIS, MOSS, MURPHY, NAPPER, NICHOLAS, PANKO, POUNDS, RIDEOUT, RODRIGUEZ, SCHAFFER, SCHUCK, SEMAN, SHILAKES, SWEENEY, TALASKI, TOMCSIK, NICOLE TURCHECK, ROBERT TURCHECK, WAHLER, WALBROOK, WHITESIDE, YAKLIN, AND ZREIK

Violations of 18 U.S.C. § 1962(c)

Fremont v. Defendants Duke, Zundel, Wells, Richardson, Peters, Sturgeon, American Nationwide, Aapex, CBB, First Escrow, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, North American Home, Owner Realty, Premier, Quotemearate, Real Estate One, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaksi, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik

121. Plaintiff realleges paragraphs 1 through 120 above as if set forth verbatim herein.

122. At all relevant times, Specialty Holdings constituted an enterprise. The individuals and entities listed below also constituted an association-in-fact enterprise (the “Association”), as defined in 18 U.S.C. § 1961(4).

- a. Specialty Holdings’ purpose and function and usual and daily activity was to serve as an entity through which properties would be bought, rented, and/or sold. Thus, Specialty Holdings engaged in and its affairs affected interstate commerce because, among other things, it used interstate wires to receive monies to fund its activities. All of the RICO defendants were separate from Specialty Holdings.
- b. Duke, Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin and Zreik constituted the Association. From at least 2004 until 2007, the Association functioned as a continuing unit with a common purpose and a hierarchical decision-making structure used for the purpose and usual and daily activity of buying, renting, and selling real estate. Thus, the Association engaged in and its affairs affected interstate commerce because, among other things, it contracted with out-of-state companies in connection with the real estate transactions and used interstate wires to fund those transactions. The members of the Association were all perpetrators of the racketeering activity alleged below.

123. Duke is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association. Through his association and membership, Duke was associated with the enterprises.

124. Zundel is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the

Association. Through his association and membership, Zundel was associated with the enterprises.

125. Wells is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Wells was associated with the enterprises.

126. Richardson is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Richardson was associated with the enterprises.

127. Peters is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Peters was associated with the enterprises.

128. Sturgeon is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Sturgeon was associated with the enterprises.

129. Aapex is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, through its agent Nicole Turcheck, associated with Specialty Holdings, Duke and the Association. Through its association, Aapex was associated with the enterprises.

130. American Nationwide is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, through its agent Larsen, associated with Specialty Holdings, Duke and the Association. Through its association, American Nationwide was associated with the enterprises.

131. CBB is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, through its agents Rodriguez and Sturgeon, associated with Specialty Holdings, Duke and the Association. Through its association, CBB was associated with the enterprises.

132. First Escrow is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through its association and membership, First Escrow was associated with the enterprises.

133. Lawyers Escrow is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through its association and membership, Lawyers Escrow was associated with the enterprises.

134. Liberty Title is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through its association and membership, Liberty Title was associated with the enterprises.

135. MotorCity is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the

Association. Through its association and membership, MotorCity was associated with the enterprises.

136. Nations Title is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through its association and membership, Nations Title was associated with the enterprises.

137. North American is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, through its agent Bennett, associated with Specialty Holdings, Duke and the Association. Through its association, North American was associated with the enterprises.

138. Owner Realty is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, through its owner Baker and agent Shilakes, associated with Specialty Holdings, Duke and the Association. Through its association, Owner Realty was associated with the enterprises.

139. Premier is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, through its agents Bennett and Sturgeon, associated with Specialty Holdings, Duke and the Association. Through its association, Premier was associated with the enterprises.

140. Quotemearate is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, through its agent Sturgeon, associated with Specialty Holdings, Duke and the Association. Through its association, Quotemearate was associated with the enterprises.

141. Real Estate One is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, through its agents Bazzi and Sweeney, associated with Specialty

Holdings, Duke and the Association. Through its association, Real Estate One was associated with the enterprises.

142. Auty is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Auty was associated with the enterprises.

143. Baker is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Baker was associated with the enterprises.

144. Bastien is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Bastien was associated with the enterprises.

145. Bazzi is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Bazzi was associated with the enterprises.

146. Ali Baydoun is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Ali Baydoun was associated with the enterprises.

147. Jay Baydoun is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Jay Baydoun was associated with the enterprises.

148. Bennett is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Bennett was associated with the enterprises.

149. Bevensee is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Bevensee was associated with the enterprises.

150. Kevin Bos is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Kevin Bos was associated with the enterprises.

151. Lisa Bos is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Lisa Bos was associated with the enterprises.

152. Brierley is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the

Association. Through his association and membership, Brierley was associated with the enterprises.

153. Dees is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Dees was associated with the enterprises.

154. Frank Gendernalik is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Frank Gendernalik was associated with the enterprises.

155. Susan Gendernalik is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Susan Gendernalik was associated with the enterprises.

156. Hall is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Hall was associated with the enterprises.

157. James is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, James was associated with the enterprises.

158. Kent is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Kent was associated with the enterprises.

159. Lara is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Lara was associated with the enterprises.

160. Larsen is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Larsen was associated with the enterprises.

161. Ley is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Ley was associated with the enterprises.

162. Lloyd is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Lloyd was associated with the enterprises.

163. Martinez is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Martinez was associated with the enterprises.

164. Mayer is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Mayer was associated with the enterprises.

165. McCutcheon is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, McCutcheon was associated with the enterprises.

166. Miller is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Miller was associated with the enterprises.

167. Collette Millitello is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Collette Millitello was associated with the enterprises.

168. Joseph Millitello is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Joseph Millitello was associated with the enterprises.

169. Morris is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the

Association. Through his association and membership, Morris was associated with the enterprises.

170. Moss is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Moss was associated with the enterprises.

171. Murphy is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Murphy was associated with the enterprises.

172. Napper is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Napper was associated with the enterprises.

173. Nicholas is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Nicholas was associated with the enterprises.

174. Panko is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Panko was associated with the enterprises.

175. Pounds is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Pounds was associated with the enterprises.

176. Rideout is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Rideout was associated with the enterprises.

177. Rodriguez is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Rodriguez was associated with the enterprises.

178. Schafer is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Schafer was associated with the enterprises.

179. Schuck is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Schuck was associated with the enterprises.

180. Seman is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the

Association. Through her association and membership, Seman was associated with the enterprises.

181. Shilakes is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Shilakes was associated with the enterprises.

182. Sweeney is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Sweeney was associated with the enterprises.

183. Talaski is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Talaski was associated with the enterprises.

184. Tomcsik is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Tomcsik was associated with the enterprises.

185. Nicole Turcheck is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Nicole Turcheck was associated with the enterprises.

186. Robert Turcheck is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Robert Turcheck was associated with the enterprises.

187. Wahler is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Wahler was associated with the enterprises.

188. Walbrook is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through her association and membership, Walbrook was associated with the enterprises.

189. Whiteside is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Whiteside was associated with the enterprises.

190. Yaklin is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the Association. Through his association and membership, Yaklin was associated with the enterprises.

191. Zreik is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and Duke and was a member of the

Association. Through his association and membership, Zreik was associated with the enterprises.

192. From time to time from 2004 through sometime in 2007, Duke, Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik, and Aapex, American Nationwide, CBB, North American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, knowingly conducted, participated in, controlled, manipulated, or directed one or more of the enterprises' affairs through a pattern of racketeering activity consisting of violations of the federal mail and wire fraud statutes, and the federal money laundering statutes, in violation of 18 U.S.C. § 1962(c).

193. Specifically, Duke, Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and

Zreik, and Aapex, American Nationwide, CBB, North American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, assisted, facilitated and implemented the scheme to defraud as follows:

- a. Duke located homes to be purchased through straw loans in the names of straw buyers, recruited persons to act as straw buyers for properties in both straw and ghost loan transactions, fabricated documents in connection with both straw and ghost loan transactions, submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders, and closed straw loan transactions and documented ghost loan transactions to give the appearance that ghost loans were actually being closed.
- b. Zundel submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders.
- c. Wells closed straw loan transactions and documented ghost loan transactions to give the appearance that the ghost loans were actually being closed.
- d. Richardson closed straw loan transactions and documented ghost loan transactions to give the appearance that the ghost loans were actually being closed.
- e. Peters closed straw loan transactions and documented ghost loan transactions to give the appearance that the ghost loans were actually being closed.
- f. Sturgeon submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders.
- g. Aapex, through its agent Nicole Turcheck, submitted loan applications and loan packages to

mortgage lenders and communicated with mortgage lenders.

- h. American Nationwide, through its agent Larsen, submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders.
- i. CBB, through its agents Rodriguez and Sturgeon, submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders.
- j. First Escrow closed straw loan transactions and documented ghost loan transactions to give the appearance that the ghost loans were actually being closed.
- k. Lawyers Escrow closed straw loan transactions and documented ghost loan transactions to give the appearance that the ghost loans were actually being closed.
- l. Liberty Title closed straw loan transactions and documented ghost loan transactions to give the appearance that the ghost loans were actually being closed.
- m. MotorCity closed straw loan transactions and documented ghost loan transactions to give the appearance that the ghost loans were actually being closed.
- n. Nations Title closed straw loan transactions and documented ghost loan transactions to give the appearance that the ghost loans were actually being closed.
- o. North American, through its agent Bennett, submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders.

- p. Owner Realty, through its owner Baker and agent Shilakes, located homes to be purchased through straw loans in the names of straw buyers and fabricated purchase agreements for ghost loans.
- q. Premier, through its agents Bennett and Sturgeon, submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders.
- r. Quotemearate, through its agent Sturgeon, submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders.
- s. Real Estate One, through its agents Bazzi and Sweeney, located homes to be purchased through straw loans in the names of straw buyers and fabricated purchase agreements for ghost loans.
- t. Auty posed as a borrower on one or more ghost loan transactions.
- u. Baker prepared fraudulent property appraisals and fabricated purchase agreements for ghost loans.
- v. Bastien completed loan applications on behalf of straw buyers, collected and organized documents and information for inclusion in loan packages and participated in the submission of loan packages to mortgage lenders and communicated with mortgage lenders.
- w. Bazzi located homes to be purchased through straw loans in the names of straw buyers and fabricated purchase agreements for ghost loans.
- x. Ali Baydoun completed loan applications on behalf of straw buyers, collected and organized documents and information for inclusion in loan packages and participated in the submission of loan packages to mortgage lenders and communicated with mortgage lenders.

- y. Jay Baydoun closed straw loan transactions and documented ghost loan transactions to give the appearance that the ghost loans were actually being closed and recruited persons to act as straw buyers for properties in both straw and ghost loan transactions.
- z. Bennett submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders.
- aa. Bevensee posed as a borrower on one or more straw or ghost loan transactions.
- bb. Kevin Bos posed as a borrower on one or more ghost loan transactions.
- cc. Lisa Bos posed as a borrower on one or more ghost loan transactions.
- dd. Brierley closed straw loan transactions and documented ghost loan transactions to give the appearance that the ghost loans were actually being closed.
- ee. Dees posed as a borrower on one or more ghost loan transactions.
- ff. Frank Gendernalik posed as a borrower on one or more ghost loan transactions.
- gg. Susan Gendernalik posed as a borrower on one or more ghost loan transactions.
- hh. Hall posed as a borrower on one or more ghost loan transactions.
- ii. James posed as a borrower on one or more ghost loan transactions.
- jj. Kent posed as a borrower on one or more ghost loan transactions.

- kk. Lara posed as a borrower on one or more ghost loan transactions.
- ll. Larsen submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders.
- mm. Ley posed as a borrower on one or more straw or ghost loan transactions.
- nn. Lloyd posed as a borrower on one or more ghost loan transactions.
- oo. Martinez posed as a borrower on one or more ghost loan transactions.
- pp. Mayer posed as a borrower on one or more ghost loan transactions.
- qq. McCutcheon completed loan applications on behalf of straw buyers, collected and organized documents and information for inclusion in loan packages and participated in the submission of loan packages to mortgage lenders and communicated with mortgage lenders.
- rr. Miller posed as a borrower on one or more ghost loan transactions.
- ss. Collette Millitello posed as a borrower on one or more ghost loan transactions.
- tt. Joseph Millitello posed as a borrower on one or more ghost loan transactions.
- uu. Morris posed as a borrower on one or more ghost loan transactions.
- vv. Moss posed as a borrower on one or more ghost loan transactions.
- ww. Murphy posed as a borrower on one or more ghost loan transactions.

- xx. Napper submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders.
- yy. Nicholas posed as a borrower on one or more ghost loan transactions.
- zz. Panko posed as a borrower on one or more ghost loan transactions.
- aaa. Pounds posed as a borrower on one or more ghost loan transactions.
- bbb. Rideout posed as a borrower on one or more ghost loan transactions.
- ccc. Rodriguez submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders.
- ddd. Schafer acted as a straw buyer and allowed his name to be used on loan applications and other documents knowing he was not the true buyer of the property.
- eee. Schuck posed as a borrower on one or more ghost loan transactions.
- fff. Seman completed loan applications on behalf of straw buyers, collected and organized documents and information for inclusion in loan packages and participated in the submission of loan packages to mortgage lenders and communicated with mortgage lenders.
- ggg. Shilakes located homes to be purchased through straw loans in the names of straw buyers and fabricated purchase agreements for ghost loans.
- hhh. Sweeney located homes to be purchased through straw loans in the names of straw buyers and fabricated purchase agreements for ghost loans.

- iii. Talaski posed as a borrower on one or more ghost loan transactions.
- jjj. Tomcsik posed as a borrower on one or more ghost loan transactions.
- kkk. Nicole Turcheck submitted loan applications and loan packages to mortgage lenders and communicated with mortgage lenders.
- lll. Robert Turcheck located homes to be purchased through straw loans in the names of straw buyers and recruited persons to act as straw buyers for properties in both straw and ghost loan transactions.
- mmm. Wahler posed as a borrower on one or more ghost loan transactions.
- nnn. Walbrook completed loan applications on behalf of straw buyers, collected and organized documents and information for inclusion in loan packages and participated in the submission of loan packages to mortgage lenders and communicated with mortgage lenders.
- ooo. Whiteside posed as a borrower on one or more ghost loan transactions.
- ppp. Yaklin posed as a borrower on one or more ghost loan transactions.
- qqq. Zreik prepared fraudulent property appraisals in ghost loan transactions.

194. Duke, Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds,

Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik, and Aapex, American Nationwide, CBB, North American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, all received substantial monetary and other benefits resulting from the scheme to defraud.

195. Duke, Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik, and Aapex, American Nationwide, CBB, North American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, knew that the U.S. Postal Service, private or commercial interstate carriers, and interstate wires and telephone lines would be used in furtherance of Duke's scheme to defraud, as described in paragraph 118 above, in violation of the federal mail and wire fraud statutes, 18 U.S.C. §§ 1341 and 1343.

196. Duke, Zundel, Wells, Richardson, Peters, Sturgeon and others engaged in money laundering activity by at least the following conduct, including but not limited to: setting up the accounts at various banks for accepting the wire transfers of mortgage proceeds identified in paragraph 118, directing wire transfers to those accounts, processing wire transfer transactions from those accounts, and investing proceeds illegally obtained through the scheme to defraud in

Hardcore Racing and Hardcore Motorsports, all while they knew or deliberately and consciously avoided confirming that the funds involved in the transactions were the proceeds of some form of unlawful activity, in violation of 18 U.S.C. §§ 1956(a)(1) and (2).

197. The uses of the mails and wires in furtherance of the scheme to defraud and the money laundering activity amounted to continuing criminal activity and thus constituted a pattern of racketeering activity pursuant to 18 U.S.C. § 1961(1)(b)(5), in violation of 18 U.S.C. § 1962(c). This pattern of racketeering activity and the enterprises alleged above in paragraph 122 are separate. The buying, renting, and selling of real estate by Specialty Holdings and the Association were conducted through the pattern of racketeering activity described above, including making misrepresentations to obtain funding for the purchase (or ostensible purchase) of real estate, illegally using the mails and wires for the purpose of misappropriating the proceeds of mortgage loans obtained, and laundering those proceeds for defendants' personal use and to perpetuate the scheme to defraud.

198. The uses of the mails and wires described in paragraph 118 above in furtherance of the scheme to defraud was the regular way of conducting the ongoing business activities of Duke, Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik, and Aapex, American

Nationwide, CBB, North American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, and would have continued indefinitely, had federal authorities not learned of the scheme and taken action to end it.

199. The money laundering activity described in paragraph 120 above was the regular way of conducting the ongoing business activities of Duke, Zundel, Wells, Richardson, Peters, Sturgeon and other defendants and would have continued indefinitely, had federal authorities not learned of the scheme and taken action to end it.

200. As a direct result of the operation of the enterprises through the above-described pattern of racketeering activity, Fremont was injured in its business and property in an amount not yet fully determined, but believed to be in excess of \$20,000,000. Fremont was injured because, among other reasons, the loans went into default and because, in many instances, due to the fraud, it did not have the protection of a secured interest in the property. No civil litigation has resulted in a judgment with regard to the scheme to defraud or any of the predicate acts alleged.

Violations of 18 U.S.C. § 1962(d)

Fremont v. Defendants Duke, Zundel, Wells, Richardson, Peters, Sturgeon, Apex, American Nationwide, CBB, First Escrow, Hardcore Motorsports, Hardcore Racing, JS Realty, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, North American Home, Owner Realty, Premier, Quotemearate, Real Estate One, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaksi, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik

201. Plaintiff realleges paragraphs 1 through 200 above as if set forth verbatim herein.
202. Harcore Racing is a person as that term is defined in 18 U.S.C. § 1961(3).
203. Hardcore Motorsports is a person as that term is defined in 18 U.S.C. § 1961(3).
204. JS Realty is a person as that term is defined in 18 U.S.C. § 1961(3).
205. Duke, Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Hardcore Motorsports, Hardcore Racing, JS Realty, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik, and Apex, American Nationwide, CBB, North

American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, conspired to participate in one or more of the enterprises' affairs through a pattern of racketeering activity, specifically: multiple acts of mail and wire fraud in violation of 18 U.S.C. § 1341 and 18 U.S.C. § 1343, and multiple acts of money laundering in violation of 18 U.S.C. § 1956(a)(1) and (2), in violation of 18 U.S.C. § 1962(c), all in violation of 18 U.S.C. § 1962(d).

206. Specifically, Duke and other defendants devised and implemented a scheme to defraud Fremont and other mortgage lenders out of tens of millions of dollars. Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Hardcore Motorsports, Hardcore Racing, JS Realty, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik, and Aapex, American Nationwide, CBB, North American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, knew that Duke and others were engaged in a scheme to defraud Fremont and other mortgage lenders out of tens of millions of dollars.

207. Duke and other defendants agreed to facilitate and did facilitate the scheme to defraud and agreed to facilitate and did facilitate the money laundering activities by the conduct alleged above in paragraphs 91-99, 103-106, 111-120, and 193(a) - 193(qqq).

208. Hardcore Racing, Hardcore Motorsports and JS Realty agreed to facilitate and did facilitate the money laundering activities by accepting as investments mortgage loan proceeds illegally obtained through the scheme to defraud.

209. Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik, and Aapex, American Nationwide, CBB, North American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, agreed to facilitate Duke's scheme to defraud, and did facilitate Duke's scheme to defraud, and agreed to facilitate and did facilitate Duke's money laundering activities by the conduct alleged above in paragraphs 91-99, 103-106, 111-120, and 193(a) - 193(qqq).

210. By this conduct, Duke, Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Hardcore Motorsports, Hardcore Racing, JS Realty, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler,

Walbrook, Whiteside, Yaklin, and Zreik, and Aapex, American Nationwide, CBB, North American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, agreed to participate in the affairs of the enterprises through a pattern of racketeering activity.

211. Fremont was injured in its business and property by reason of the violation of 18 U.S.C. § 1962(d) in an amount not yet fully determined, but believed to be in excess of \$20,000,000. Fremont was injured because, among other reasons, the loans went into default and because, in many instances, due to the fraud, it did not have the protection of a secured interest in the property. No civil litigation has resulted in a judgment with regard to the conspiracy or any of the predicate acts alleged.

Violations of 18 U.S.C. § 1962(a)

**Fremont v. Defendants Duke, Hardcore Racing,
Hardcore Motorsports, Wells and Richardson**

212. Plaintiff realleges paragraphs 1 through 119 as if set forth verbatim herein.

213. At all relevant times, Hardcore Racing and Hardcore Motorsports each constituted an enterprise as that term is defined in 18 U.S.C. § 1961(4).

214. Hardcore Racing is a person as that term is defined in 18 U.S.C. § 1961(3).

215. Hardcore Motorsports is a person as that term is defined in 18 U.S.C. § 1961(3).

216. Duke is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Hardcore Racing and Hardcore Motorsports.

217. Wells is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Hardcore Racing and Hardcore Motorsports.

218. Richardson is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Hardcore Racing and Hardcore Motorsports.

219. The predicate acts of mail and wire fraud and money laundering described in paragraphs 118 and 120 above constituted a pattern of racketeering activity as defined in 18 U.S.C. § 1961(5). Duke, Wells, and Richardson used and invested, directly or indirectly, racketeering income derived from the pattern of racketeering activity to acquire, establish and/or operate Hardcore Racing and Hardcore Motorsports.

220. Fremont was injured in its business or property by reason of the use or investment of racketeering income in Hardcore Racing and Hardcore Motorsports, in an amount yet to be determined. The use and investment of such income in the acquisition, establishment, and/or operation of Hardcore Racing and Hardcore Motorsports obscured that income from Fremont and placed it substantially beyond Fremont's reach. No civil litigation has resulted in a judgment with regard to use or investment of racketeering income or any of the predicate acts alleged.

Common Law Fraud

**Fremont v. Defendants Duke, Zundel, Wells,
Richardson, Peters, Sturgeon, First Escrow, Hardcore
Motorsports, Hardcore Racing, JS Realty, Lawyers Escrow,
Liberty Title, MotorCity, Nations Title, Specialty Holdings,
Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun,
Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees,
Frank Gendernalik, Susan Gendernalik,
Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez,
Mayer, McCutcheon, Miller, Collette Millitello,
Joseph Millitello, Morris, Moss, Murphy,
Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez,
Schafer, Schuck, Seman, Shilakes, Sweeney,
Talaksi, Tomcsik, Nicole Turcheck, Robert Turcheck,
Wahler, Walbrook, Whiteside, Yaklin, and Zreik**

221. Plaintiff realleges paragraphs 1 through 220 above as if set forth verbatim herein.

222. Duke devised and implemented the scheme to defraud by acquiring and gaining control over mortgage loan proceeds while concealing the true nature of the loan transactions, participating in the laundering of the mortgage loan proceeds illegally obtained, engaging in both straw and ghost loan transactions, and making misrepresentations concerning the conduct of himself and others, upon which Fremont reasonably relied, for the benefit of himself and others. Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Hardcore Motorsports, Hardcore Racing, JS Realty, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Specialty Holdings, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaksi, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook,

Whiteside, Yaklin, and Zreik implemented Duke's scheme to defraud by knowingly assisting in acquiring and gaining control over mortgage loan proceeds while concealing the true nature of the loan transactions, participating in the laundering of the mortgage loan proceeds illegally obtained, engaging in both straw and ghost loan transactions, and making misrepresentations concerning the conduct of themselves and others, upon which Fremont reasonably relied, for the benefit of Duke, themselves and others.

223. As a direct and proximate result of these Defendants' frauds, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$20,000,000.

Civil Conspiracy

**Fremont v. Defendants Duke, Zundel, Wells,
Richardson, Peters, Sturgeon, Apex, American Nationwide,
CBB, First Escrow, Hardcore Motorsports,
Hardcore Racing, JS Realty, Lawyers Escrow, Liberty Title,
MotorCity, Nations Title, North American Home, Owner Realty,
Premier, Quotemearate, Real Estate One, Specialty Holdings,
Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun,
Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees,
Frank Gendernalik, Susan Gendernalik,
Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez,
Mayer, McCutcheon, Miller, Collette Millitello,
Joseph Millitello, Morris, Moss, Murphy,
Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez,
Schafer, Schuck, Seman, Shilakes, Sweeney,
Talaksi, Tomcsik, Nicole Turcheck, Robert Turcheck,
Wahler, Walbrook, Whiteside, Yaklin, and Zreik**

224. Plaintiff realleges paragraphs 1 through 223 above as if set forth verbatim herein.

225. By their conduct alleged above, Duke, Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Hardcore Motorsports, Hardcore Racing, JS Realty, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Specialty Holdings, Auty, Baker, Bastien, Bazzi, Ali

Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik, and Aapex, American Nationwide, CBB, North American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, conspired to acquire and gain control over mortgage loan proceeds while concealing the true nature of the loan transactions, participate in the laundering of the mortgage loan proceeds illegally obtained, engage in both straw and ghost loan transactions, and make misrepresentations about the conduct of themselves and others, upon which Fremont reasonably relied.

226. As a direct and proximate cause of the actions taken in furtherance of this conspiracy, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$20,000,000.

Aiding and Abetting Fraud

**Fremont v. Defendants Zundel, Wells,
Richardson, Peters, Sturgeon, Apex, American Nationwide,
CBB, First Escrow, Hardcore Motorsports, Hardcore
Racing, JS Realty, Lawyers Escrow, Liberty Title,
MotorCity, Nations Title, North American Home, Owner Realty,
Premier, Quotemearate, Real Estate One, Specialty Holdings,
Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun,
Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees,
Frank Gendernalik, Susan Gendernalik,
Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez,
Mayer, McCutcheon, Miller, Collette Millitello,
Joseph Millitello, Morris, Moss, Murphy,
Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez,
Schafer, Schuck, Seman, Shilakes, Sweeney,
Talaksi, Tomcsik, Nicole Turcheck, Robert Turcheck,
Wahler, Walbrook, Whiteside, Yaklin, and Zreik**

227. Plaintiff realleges paragraphs 1 through 226 as if set forth verbatim herein.

228. Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Hardcore Motorsports, Hardcore Racing, JS Realty, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Specialty Holdings, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik, and Apex, American Nationwide, CBB, North American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, each assisted Duke in his scheme to defraud through the conduct described above.

229. At the time they assisted Duke, defendants Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Hardcore Motorsports, Hardcore Racing, JS Realty, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Specialty Holdings, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik, and Aapex, American Nationwide, CBB, North American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, each knew that Duke sought to acquire and gain control of mortgage loan proceeds while concealing from others his control. In addition, Zundel, Wells, Richardson, Peters, Sturgeon, First Escrow, Hardcore Motorsports, Hardcore Racing, JS Realty, Lawyers Escrow, Liberty Title, MotorCity, Nations Title, Specialty Holdings, Auty, Baker, Bastien, Bazzi, Ali Baydoun, Jay Baydoun, Bennett, Bevensee, Kevin Bos, Lisa Bos, Brierley, Dees, Frank Gendernalik, Susan Gendernalik, Hall, James, Kent, Lara, Larsen, Ley, Lloyd, Martinez, Mayer, McCutcheon, Miller, Collette Millitello, Joseph Millitello, Morris, Moss, Murphy, Napper, Nicholas, Panko, Pounds, Rideout, Rodriguez, Schafer, Schuck, Seman, Shilakes, Sweeney, Talaski, Tomcsik, Nicole Turcheck, Robert Turcheck, Wahler, Walbrook, Whiteside, Yaklin, and Zreik, and Aapex, American Nationwide, CBB, North American Home, Owner Realty, Premier, Quotemearate, and Real Estate One, through their agents, each knew, or purposefully contrived to avoid learning, that Duke sought to launder funds through a variety of methods.

230. As a direct result of Duke's scheme to defraud, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$20,000,000.

COUNT II

ADDITIONAL CLAIM AGAINST DUKE, RICHARDSON AND WELLS

Statutory Conversion

231. Plaintiff realleges paragraphs 1 through 230 as if fully set forth verbatim herein.

232. Duke Richardson, and Wells stole and/or embezzled and/or converted Fremont's money to their own use.

233. Pursuant to Mich. Comp. Laws § 600.2919a(1), Fremont is entitled to recover three times the amount of actual damages sustained, in an amount yet to be determined, plus costs and reasonable attorneys' fees.

COUNT III

**ADDITIONAL CLAIM AGAINST HARDCORE
RACING AND HARDCORE MOTORSPORTS**

Statutory Conversion

234. Plaintiff realleges paragraphs 1 through 233 as if fully set forth verbatim herein.

235. Hardcore Racing and Hardcore Motorsports received, possessed, concealed, and/or aided in the concealment of money stolen, embezzled or converted from Fremont, knowing that this money was stolen, embezzled, or converted.

236. Pursuant to Mich. Comp. Laws § 600.2919a(1), Fremont is entitled to recover three times the amount of actual damages sustained, in an amount yet to be determined, plus costs and reasonable attorneys' fees.

COUNT IV

ADDITIONAL CLAIMS AGAINST APEX

237. Plaintiff realleges paragraphs 1 through 120 as if fully set forth verbatim herein.

238. At all relevant times herein, Aapex was a mortgage loan brokerage licensed to do business in the state of Michigan.

239. On February 1, 2000, Aapex entered into a nonexclusive Wholesale Brokerage Agreement (the “Aapex Agreement”) with Fremont whereby Aapex agreed to submit loan packages to Fremont on behalf of Aapex’s clients for possible funding.

240. In the event that Fremont funded a loan to a Aapex client and that loan closed, Aapex would be paid certain fees for its services.

241. Aapex represented and warranted to Fremont in the Aapex Agreement that “[t]o the best of [Aapex’s] knowledge, after due inquiry, each Loan Application Package submitted by [Aapex] to [Fremont] is true and correct in all material respects and does not fail to include any information required to be stated or necessary to make each such Loan Application Package not misleading.”

242. During some or all of the relevant time herein, Aapex employed Nicole Turcheck as a loan officer.

243. Aapex, through its loan officer and agent Nicole Turcheck, submitted a false and fraudulent loan application in connection with the transaction (o) identified in paragraph 101. Fremont reasonably relied upon the false and fraudulent loan application when it agreed to fund the loan and transfer the loan proceeds in that transaction.

Breach of Contract

Fremont v. Aapex

244. Plaintiff realleges paragraphs 1 through 120 and 237 through 243 as if fully set forth verbatim herein.

245. In connection with transaction (o) identified in paragraph 101, Aapex breached the Aapex Agreement because it submitted a false and fraudulent loan application.

246. As a direct and proximate result of Aapex's breach of contract, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$260,000.

Common Law Fraud

Fremont v. Aapex

247. Plaintiff realleges paragraphs 1 through 120 and 237 through 246 as if fully set forth verbatim herein.

248. In transaction (o) identified in paragraph 101, Aapex's agent Nicole Turcheck engaged in fraud through the conduct alleged above.

249. Aapex put Nicole Turcheck in a position where she could defraud Fremont while acting within her actual or apparent authority as agent for Aapex.

250. As a direct and proximate cause of the fraud of Aapex's agent Nicole Turcheck, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$260,000.

Negligence

Fremont v. Aapex

251. Plaintiff realleges paragraphs 1 through 120 and 237 through 250 as if fully set forth verbatim herein.

252. Aapex owed Fremont a duty to exercise ordinary and reasonable care in the submission of loan application packages to Fremont for possible funding.

253. This duty included an obligation to disclose all information material to Fremont's lending decision and a duty not to engage in fraudulent or misleading practices.

254. Aapex breached that duty by negligently submitting a false loan application package in connection with transaction (o) identified in paragraph 101.

255. As a direct and proximate cause of Aapex's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$260,000.

Negligent Hiring/Retention

Fremont v. Aapex

256. Plaintiff realleges paragraphs 1 through 120 and 237 through 255 as if fully set forth verbatim herein.

257. Aapex employed Nicole Turcheck for the purpose of brokering mortgages in Michigan, including with Fremont.

258. Nicole Turcheck was unfit, incompetent and dangerous for this purpose and with the exercise of reasonable and ordinary care Aapex knew or should have known this at the time it hired Nicole Turcheck and throughout the time it retained Nicole Turcheck as an employee.

259. Aapex failed to exercise reasonable or ordinary care to adequately supervise Nicole Turcheck.

260. As a direct and proximate cause of Aapex's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$260,000.

COUNT V

ADDITIONAL CLAIMS AGAINST AMERICAN NATIONWIDE

261. Plaintiff realleges paragraphs 1 through 120 as if fully set forth verbatim herein.

262. At all relevant times herein, American Nationwide was a mortgage loan brokerage licensed to do business in the state of Michigan.

263. On November 13, 1998, American Nationwide entered into a nonexclusive Loan Purchase Agreement (the “American Nationwide Agreement”) with Fremont whereby American Nationwide agreed, among other things, to submit loan files to Fremont on behalf of American Nationwide’s clients for possible funding.

264. American Nationwide represented and warranted to Fremont in the American Nationwide Agreement that “[a]ll Mortgage Loan Documents submitted to [Fremont] are genuine and complete, enforceable against Borrower as written, subject to equitable principles and bankruptcy laws. All other representations about each Mortgage Loan are accurate and meet the terms of the Commitment to Purchase. No writing or other document submitted to [Fremont], whether authored by [American Nationwide] or contained in the Loan file, states any false or misleading facts or omits facts necessary to prevent [Fremont] from being misled.”

265. During some or all of the relevant time herein, American Nationwide employed Larsen as a loan officer.

266. American Nationwide, through its loan officer and agent Larsen, submitted false and fraudulent loan applications in connection with the transactions (cc), (ee), (gg), and (hh) identified in paragraph 102. Fremont reasonably relied upon the false and fraudulent loan

applications when it agreed to fund the loans and transfer the loan proceeds in each of those transactions.

Breach of Contract

Fremont v. American Nationwide

267. Plaintiff realleges paragraphs 1 through 120 and 261 through 266 as if fully set forth verbatim herein.

268. In connection with transactions (cc), (ee), (gg), and (hh) identified in paragraph 102, American Nationwide breached the American Nationwide Agreement because it submitted false and fraudulent loan applications.

269. As a direct and proximate result of American Nationwide's breach of contract, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,900,000.

Common Law Fraud

Fremont v. American Nationwide

270. Plaintiff realleges paragraphs 1 through 120 and 261 through 269 as if fully set forth verbatim herein.

271. In transactions (cc), (ee), (gg), and (hh) identified in paragraph 102, American Nationwide's agent Larsen engaged in fraud through the conduct alleged above.

272. American Nationwide put Larsen in a position where he could defraud Fremont while acting within his actual or apparent authority as agent for American Nationwide.

273. As a direct and proximate cause of the fraud of American Nationwide's agent Larsen, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,900,000.

Negligence

Fremont v. American Nationwide

274. Plaintiff realleges paragraphs 1 through 120 and 261 through 273 as if fully set forth verbatim herein

275. American Nationwide owed Fremont a duty to exercise ordinary and reasonable care in the submission of loan application packages to Fremont for possible funding.

276. This duty included an obligation to disclose all information material to Fremont's lending decision and a duty not to engage in fraudulent or misleading practices.

277. American Nationwide breached that duty by negligently submitting a false loan application package in connection with transactions (cc), (ee), (gg), and (hh) identified in paragraph 102.

278. As a direct and proximate cause of American Nationwide's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,900,000.

Negligent Hiring/Retention

Fremont v. American Nationwide

279. Plaintiff realleges paragraphs 1 through 120 and 261 through 278 as if fully set forth verbatim herein.

280. American Nationwide employed Larsen for the purpose of brokering mortgages in Michigan, including with Fremont.

281. Larsen was unfit, incompetent and dangerous for this purpose and with the exercise of reasonable and ordinary care American Nationwide knew or should have known this at the time it hired Larsen and throughout the time it retained Larsen as an employee.

282. American Nationwide failed to exercise reasonable or ordinary care to adequately supervise Larsen.

283. As a direct and proximate cause of American Nationwide's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,900,000.

COUNT VI

ADDITIONAL CLAIMS AGAINST CBB

284. Plaintiff realleges paragraphs 1 through 120 as if fully set forth verbatim herein.

285. At all relevant times herein, CBB was a mortgage loan brokerage licensed to do business in the state of Michigan.

286. On April 8, 2003, CBB entered into a nonexclusive Mortgage Broker Agreement (the "CBB Agreement") with Fremont whereby CBB agreed to submit loan packages to Fremont on behalf of CBB's clients for possible funding.

287. In the event that Fremont funded a loan to a CBB client and that loan closed, CBB would be paid certain fees for its services.

288. CBB represented and warranted to Fremont in the CBB Agreement that "none of the statements or information contained in any Loan package is false or erroneous, or omits material facts necessary to make such statements or information complete, accurate and understandable."

289. During some or all of the relevant time herein, CBB employed Rodriguez and Sturgeon as loan officers.

290. CBB, through its loan officers and agents Rodriguez and Sturgeon, submitted false and fraudulent loan applications in connection with the transactions (a), (b), (e), (g), (h), (i), (j), (k), (l), (n), and (q) identified in paragraph 101 and in connection with the transactions (b), (c), (d), (e), (f), (i), (k), (l), (m), (q), (r), (v), (x), (y), (z), (oo), and (pp) identified in paragraph 102. Fremont reasonably relied upon the false and fraudulent loan applications when it agreed to fund the loans and transfer the loan proceeds in each of those transactions.

Breach of Contract

Fremont v. CBB

291. Plaintiff realleges paragraphs 1 through 120 and 284 through 290 as if fully set forth verbatim herein.

292. In connection with transactions (a), (b), (e), (g), (h), (i), (j), (k), (l), (n), and (q) identified in paragraph 101 and in connection with the transactions (b), (c), (d), (e), (f), (i), (k), (l), (m), (q), (r), (v), (x), (y), (z), (oo), and (pp) identified in paragraph 102, CBB breached the CBB Agreement because it submitted false and fraudulent loan applications.

293. As a direct and proximate result of CBB's breach of contract, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$9,000,000.

Common Law Fraud

Fremont v. CBB

294. Plaintiff realleges paragraphs 1 through 120 and 284 through 293 as if fully set forth verbatim herein.

295. In transactions (a), (b), (e), (g), (h), (i), (j), (k), (l), (n), and (q) identified in paragraph 101 and in connection with the transactions (b), (c), (d), (e), (f), (i), (k), (l), (m), (q), (r), (v), (x), (y), (z), (oo), and (pp) identified in paragraph 102, CBB's agents Rodriguez and/or Sturgeon engaged in fraud through the conduct alleged above.

296. CBB put Rodriguez and Sturgeon in a position where they could defraud Fremont while acting within their actual or apparent authority as agents for CBB.

297. As a direct and proximate cause of the fraud of CBB's agents Rodriguez and Sturgeon, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$9,000,000.

Negligence

Fremont v. CBB

298. Plaintiff realleges paragraphs 1 through 120 and 284 through 297 as if fully set forth verbatim herein.

299. CBB owed Fremont a duty to exercise ordinary and reasonable care in the submission of loan application packages to Fremont for possible funding.

300. This duty included an obligation to disclose all information material to Fremont's lending decision and a duty not to engage in fraudulent or misleading practices.

301. CBB breached that duty by negligently submitting false loan application packages in connection with transactions (a), (b), (e), (g), (h), (i), (j), (k), (l), (n), and (q) identified in paragraph 101 and in connection with the transactions (b), (c), (d), (e), (f), (i), (k), (l), (m), (q), (r), (v), (x), (y), (z), (oo), and (pp) identified in paragraph 102.

302. As a direct and proximate cause of CBB's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$9,000,000.

Negligent Hiring/Retention

Fremont v. CBB

303. Plaintiff realleges paragraphs 1 through 120 and 284 through 302 as if fully set forth verbatim herein.

304. CBB employed Rodriguez and Sturgeon for the purpose of brokering mortgages in Michigan, including with Fremont.

305. Rodriguez and Sturgeon were unfit, incompetent and dangerous for this purpose and with the exercise of reasonable and ordinary care CBB knew or should have known this at the time it hired Rodriguez and Sturgeon and throughout the time it retained Rodriguez and Sturgeon as employees.

306. CBB failed to exercise reasonable or ordinary care to adequately supervise Rodriguez and Sturgeon.

307. As a direct and proximate cause of CBB's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$9,000,000.

COUNT VII

ADDITIONAL CLAIMS AGAINST NORTH AMERICAN

308. Plaintiff realleges paragraphs 1 through 120 as if fully set forth verbatim herein.

309. At all relevant times herein, North American was a mortgage loan brokerage licensed to do business in the state of Michigan.

310. On June 30, 2006, North American entered into a nonexclusive Mortgage Broker Agreement (the “North American Agreement”) with Fremont whereby North American agreed to submit loan packages to Fremont on behalf of North American’s clients for possible funding.

311. In the event that Fremont funded a loan to a North American client and that loan closed, North American would be paid certain fees for its services.

312. North American represented and warranted to Fremont in the North American Agreement that “none of the statements or information contained in any Loan package is false or erroneous, or omits material facts necessary to make such statements or information complete, accurate and understandable.”

313. During some or all of the relevant time herein, North American employed Bennett as a loan officer.

314. North American, through its loan officer and agent Bennett, submitted false and fraudulent loan applications in connection with the transactions (dd), (ff), (ii), (jj), and (ll) identified in paragraph 102. Fremont reasonably relied upon the false and fraudulent loan applications when it agreed to fund the loans and transfer the loan proceeds in each of those transactions.

Breach of Contract

Fremont v. North American

315. Plaintiff realleges paragraphs 1 through 120 and 308 through 314 as if fully set forth verbatim herein.

316. In connection with transactions (dd), (ff), (ii), (jj), and (ll) identified in paragraph 102, North American breached the North American Agreement because it submitted false and fraudulent loan applications.

317. As a direct and proximate result of North American's breach of contract, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,600,000.

Common Law Fraud

Fremont v. North American

318. Plaintiff realleges paragraphs 1 through 120 and 308 through 317 as if fully set forth verbatim herein.

319. In transactions (dd), (ff), (ii), (jj), and (ll) identified in paragraph 102, North American's agent Bennett engaged in fraud through the conduct alleged above.

320. North American put Bennett in a position where she could defraud Fremont while acting within her actual or apparent authority as agent for North American.

321. As a direct and proximate cause of the fraud of North American's agent Bennett, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,600,000.

Negligence

Fremont v. North American

322. Plaintiff realleges paragraphs 1 through 120 and 308 through 321 as if fully set forth verbatim herein.

323. North American owed Fremont a duty to exercise ordinary and reasonable care in the submission of loan application packages to Fremont for possible funding.

324. This duty included an obligation to disclose all information material to Fremont's lending decision and a duty not to engage in fraudulent or misleading practices.

325. North American breached that duty by negligently submitting false loan application packages in connection with transactions (dd), (ff), (ii), (jj), and (ll) identified in paragraph 102.

326. As a direct and proximate cause of North American's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,600,000.

Negligent Hiring/Retention

Fremont v. North American

327. Plaintiff realleges paragraphs 1 through 120 and 308 through 326 as if fully set forth verbatim herein.

328. North American employed Bennett for the purpose of brokering mortgages in Michigan, including with Fremont.

329. Bennett was unfit, incompetent and dangerous for this purpose and with the exercise of reasonable and ordinary care North American knew or should have known this at the time it hired Bennett and throughout the time it retained Bennett as an employee.

330. North American failed to exercise reasonable or ordinary care to adequately supervise Bennett.

331. As a direct and proximate cause of North American's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,600,000.

COUNT VIII

ADDITIONAL CLAIMS AGAINST PREMIER

332. Plaintiff realleges paragraphs 1 through 120 as if fully set forth verbatim herein.

333. At all relevant times herein, Premier was a mortgage loan brokerage licensed to do business in the state of Michigan.

334. On April 1, 2002, Premier entered into a nonexclusive Mortgage Broker Agreement (the “Premier Agreement”) with Fremont whereby Premier agreed to submit loan packages to Fremont on behalf of Premier’s clients for possible funding.

335. In the event that Fremont funded a loan to a Premier client and that loan closed, Premier would be paid certain fees for its services.

336. Premier represented and warranted to Fremont in the Premier Agreement that “none of the statements or information contained in any Loan package is false or erroneous, or omits material facts necessary to make such statements or information complete, accurate and understandable.”

337. During some or all of the relevant time herein, Premier employed Sturgeon and Bennett as loan officers.

338. Premier, through its loan officers and agents Sturgeon and Bennett, submitted false and fraudulent loan applications in connection with the transactions (d), (f), and (m) identified in paragraph 101 and transactions (o), (p), (s), (t), (w), (aa), and (bb) identified in paragraph 102. Fremont reasonably relied upon the false and fraudulent loan applications when it agreed to fund the loans and transfer the loan proceeds in each of those transactions.

Breach of Contract

Fremont v. Premier

339. Plaintiff realleges paragraphs 1 through 120 and 332 through 336 as if fully set forth verbatim herein.

340. In connection with transactions (d), (f), and (m) identified in paragraph 101 and transactions (o), (p), (s), (t), (w), (aa), and (bb) identified in paragraph 102, Premier breached the Premier Agreement because it submitted false and fraudulent loan applications.

341. As a direct and proximate result of Premier's breach of contract, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$2,800,000.

Common Law Fraud

Fremont v. Premier

342. Plaintiff realleges paragraphs 1 through 120 and 332 through 341 as if fully set forth verbatim herein.

343. In transactions (d), (f), and (m) identified in paragraph 101 and transactions (o), (p), (s), (t), (w), (aa), and (bb) identified in paragraph 102, Premier's agents Sturgeon and Bennett engaged in fraud through the conduct alleged above.

344. Premier put Sturgeon and Bennett in a position where they could defraud Fremont while acting within their actual or apparent authority as agents for Premier.

345. As a direct and proximate cause of the fraud of Premier's agents Sturgeon and Bennett, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$2,800,000.

Negligence

Fremont v. Premier

346. Plaintiff realleges paragraphs 1 through 120 and 332 through 345 as if fully set forth verbatim herein.

347. Premier owed Fremont a duty to exercise ordinary and reasonable care in the submission of loan application packages to Fremont for possible funding.

348. This duty included an obligation to disclose all information material to Fremont's lending decision and a duty not to engage in fraudulent or misleading practices.

349. Premier breached that duty by negligently submitting false loan application packages in connection with transactions (d), (f), and (m) identified in paragraph 101 and transactions (o), (p), (s), (t), (w), (aa), and (bb) identified in paragraph 102.

350. As a direct and proximate cause of Premier's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$2,800,000.

Negligent Hiring/Retention

Fremont v. Premier

351. Plaintiff realleges paragraphs 1 through 120 and 332 through 350 as if fully set forth verbatim herein.

352. Premier employed Bennett and Sturgeon for the purpose of brokering mortgages in Michigan, including with Fremont.

353. Bennett and Sturgeon were unfit, incompetent and dangerous for this purpose and with the exercise of reasonable and ordinary care Premier knew or should have known this at the

time it hired Bennett and Sturgeon and throughout the time it retained Bennett and Sturgeon as employees.

354. Premier failed to exercise reasonable or ordinary care to adequately supervise Bennett and Sturgeon.

355. As a direct and proximate cause of Premier's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$2,800,000.

COUNT IX

ADDITIONAL CLAIMS AGAINST QUOTEMEARATE

356. Plaintiff realleges paragraphs 1 through 120 as if fully set forth verbatim herein.

357. At all relevant times herein, Quotemearate was a mortgage loan brokerage licensed to do business in the state of Michigan.

358. On October 30, 2003, Quotemearate entered into a nonexclusive Mortgage Broker Agreement (the “Quotemearate Agreement”) with Fremont whereby Quotemearate agreed to submit loan packages to Fremont on behalf of Quotemearate’s clients for possible funding.

359. In the event that Fremont funded a loan to a Quotemearate client and that loan closed, Quotemearate would be paid certain fees for its services.

360. Quotemearate represented and warranted to Fremont in the Quotemearate Agreement that “none of the statements or information contained in any Loan package is false or erroneous, or omits material facts necessary to make such statements or information complete, accurate and understandable.”

361. During some or all of the relevant time herein, Quotemearate employed Sturgeon as a loan officer.

362. Quotemearate, through its loan officer and agent Sturgeon, submitted false and fraudulent loan applications in connection with the transactions (g), (h), (j), and (n) identified in paragraph 102. Fremont reasonably relied upon the false and fraudulent loan applications when it agreed to fund the loans and transfer the loan proceeds in each of those transactions.

Breach of Contract

Fremont v. Quotemearate

363. Plaintiff realleges paragraphs 1 through 120 and 356 through 362 as if fully set forth verbatim herein.

364. In connection with transactions (g), (h), (j), and (n) identified in paragraph 102, Quotemearate breached the Quotemearate Agreement because it submitted false and fraudulent loan applications.

365. As a direct and proximate result of Quotemearate's breach of contract, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,500,000.

Common Law Fraud

Fremont v. Quotemearate

366. Plaintiff realleges paragraphs 1 through 120 and 356 through 365 as if fully set forth verbatim herein.

367. In transactions (g), (h), (j), and (n) identified in paragraph 102, Quotemearate's agent Sturgeon engaged in fraud through the conduct alleged above.

368. Quotemearate put Sturgeon in a position where he could defraud Fremont while acting within his actual or apparent authority as agent for Quotemearate.

369. As a direct and proximate cause of the fraud of Quotemearate's agent Sturgeon, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,500,000.

Negligence

Fremont v. Quotemearate

370. Plaintiff realleges paragraphs 1 through 120 and 356 through 369 as if fully set forth verbatim herein

371. Quotemearate owed Fremont a duty to exercise ordinary and reasonable care in the submission of loan application packages to Fremont for possible funding.

372. This duty included an obligation to disclose all information material to Fremont's lending decision and a duty not to engage in fraudulent or misleading practices.

373. Quotemearate breached that duty by negligently submitting false loan application packages in connection with transactions (g), (h), (j), and (n) identified in paragraph 102.

374. As a direct and proximate cause of Quotemearate's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,500,000.

Negligent Hiring/Retention

Fremont v. Quotemearate

375. Plaintiff realleges paragraphs 1 through 120 and 356 through 374 as if fully set forth verbatim herein.

376. Quotemearate employed Sturgeon for the purpose of brokering mortgages in Michigan, including with Fremont.

377. Sturgeon was unfit, incompetent and dangerous for this purpose and with the exercise of reasonable and ordinary care Quotemearate knew or should have known this at the time it hired Sturgeon and throughout the time it retained Sturgeon as an employee.

378. Quotemearate failed to exercise reasonable or ordinary care to adequately supervise Sturgeon.

379. As a direct and proximate cause of Quotemearate's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,500,000.

COUNT X

CLAIMS AGAINST FIDELITY

380. Plaintiff realleges paragraphs 1 through 120 as if fully set forth verbatim herein.

381. At all times relevant herein, Fidelity was a title insurance underwriter that provided title insurance and escrow and other title-related services throughout the country, including in Michigan.

382. Generally, mortgage lenders buy title insurance policies to assure good and marketable title to real estate and to assure they have priority of lien. In a typical residential real estate transaction, either a mortgage lender or a borrower or both will place an order with a title insurance underwriter for the issuance of a title policy.

383. After receiving the order, a title officer typically prepares a preliminary title report outlining: the current status of title to the property, any exclusions the title company might include in the policy, and specific issues to be addressed or resolved before the title policy will be issued. This preliminary report is known as a title commitment.

384. Just prior to the close of the loan transaction, a mortgage lender will provide closing instructions to an issuing agent of the title insurance underwriter directing how the mortgage proceeds should be distributed and how the transaction should be documented.

385. Also just prior to the close of the loan transaction, a title insurance underwriter and/or its issuing agent, at the request of the mortgage lender, will issue a closing protection letter (“CPL”). A CPL indemnifies the lender from losses arising from the failure of the issuing agent to comply with the lender’s closing instructions and from fraud on the part of the issuing agent.

386. After a loan transaction is closed and all mortgage proceeds have been released and distributed, the title insurance underwriter issues a title insurance policy. A title insurance policy issued to a mortgage lender is known as a Loan Policy of Title Insurance (“Lender’s Policy”). A Lender’s Policy insures the mortgage lender against any defect in title affecting the priority of the mortgage lien in an amount up to the outstanding balance of the mortgage loan.

387. From 2004 to 2007, Fidelity issued title commitments, CPLs and/or Lender’s Policies to Fremont in connection with at least nineteen straw and ghost loan transactions involving Duke and his co-conspirators, listed below. Fidelity issued a title commitment and CPL directly in the following transaction:

Suzanne Nicholas
9027 Potterville Dr.
Augusta, MI 48191
11/10/05

388. Fidelity issued a title commitment, CPL and Lender’s Policy in the following transaction through issuing agent Metro-West Title Agency, Inc. (“Metro-West”):

Brian Murphy/Donna Galante
32308 Church St.
Rockwood, MI 48173
12/6/04

389. At the time of this transaction, Metro-West was an authorized issuing agent for Fidelity.

390. Fidelity issued a title commitment, CPL and Lender’s Policy in the following transactions through issuing agent American Title Company of Washtenaw (“American Title”):

a. Danny Ley
736 Miller
Ann Arbor, MI 48103
8/24/06

b. Danny Ley
738 Miller
Ann Arbor, MI 48103
8/28/06

391. At the time of these transactions, American Title was an authorized issuing agent for Fidelity.

392. Fidelity issued a title commitment, CPL and/or Lender's Policy (as indicated) in the following transactions through issuing agent Nations Title:

a. Larry Yount
7763 N. Inkster Rd.
Westland, MI 48185
10/26/05
Title commitment, CPL and Lender's Policy

b. Morgan Bevensee
802 Mt. Vernon Blvd.
Royal Oak, MI 48073
12/12/05
Title commitment, CPL and Lender's Policy

c. Kevin Bos
3165 Kenrick St.
Keego Harbor, MI 48320
2/10/06
Title commitment and CPL

d. Linda Wahler
6485 Shannon Glen Dr.
Fenton, MI 48430
7/11/06
Title commitment and CPL

- e. John Mayer, Jr.
4590 Valleyview Dr.
West Bloomfield, MI 48323
10/10/06
Title commitment and CPL
- f. Kathleen Pounds
1977 Ridge Rd.
White Lake, MI 48383
10/18/06
Title commitment and CPL
- g. Patrick Lloyd
4400 Timber Lake Trail #6
Highland, MI 48357
Title commitment and CPL
- h. Ray Hall
371 Hunters Ridge
Brandon TWP, MI 48462
10/24/06
Title commitment and CPL
- i. Ray Hall
372 Hunters Ridge
Brandon TWP, MI 48462
10/24/06
Title commitment and CPL
- j. Larry Rideout
11280 Tyrone Trail
Fenton, MI 48430
11/30/06
Title commitment and CPL
- k. Ronald Talaski Jr.
3999 Fenmore Ave.
Waterford, MI 48328
12/14/06
Title commitment and CPL

- l. Kim Kent
45996 Windridge Lane
Canton, MI 48188
12/20/06
Title commitment and CPL
- m. John Mayer Jr.
6861 Corrigan Dr.
Brighton, MI 48116
12/27/06
Title commitment and CPL
- n. April Miller
3338 Cummings Ave.
Royal Oak, MI 48073
12/29/06
Title commitment and CPL
- o. Kim Marie Kent
3356 Talbert Circle #187
Rochester Hills, MI 48307
2/14/07
Title commitment and CPL

393. Fidelity maintains that it terminated Nations Title's agency as of May 11, 2006. Fidelity, however, did not advise Fremont of its alleged termination of Nations Title's agency. Based on the investigation to date, Fidelity also did not advise the general public of the termination of Nations Title's agency or otherwise expressly disavow its agency relationship with Nations Title.

394. Based on the investigation to date, Fidelity failed to take steps to collect its supplies, equipment and other indicia of authority from Nations Title after it allegedly terminated Nations Title's agency. For example, Nations Title continued to issue CPLs on Fidelity letterhead stationery after May 11, 2006, up to at least February 2007.

Breach of Contract Under the CPLs

Fremont v. Fidelity

395. Plaintiff realleges paragraphs 1 through 120 and 380 through 394 as if fully set forth verbatim herein.

396. In connection with transactions (c) through (o) identified in paragraph 392, Fidelity issued, through its agent Nations Title, a CPL that provided in pertinent part:

When title insurance of Fidelity National Title Insurance Company (“Company”) is specified for your protection in connection with closings of real estate transactions in which you are . . . a lender secured by a mortgage. . . the Company. . . hereby agrees to reimburse you for actual loss incurred by you in connection with such closings when conducted by an Issuing Agent. . . and when such loss arises out of:

1. Failure of the Issuing Agent . . . to comply with your written closing instructions to the extent that they relate to (a) the status of the title to said interest in land or the validity, enforceability and priority of the lien of said mortgage or said interest in land. . . or
2. Fraud of said Issuing Agent . . . in handling your funds or documents in connection with such closings to the extent such fraud affects the status of the title to said interest in land, or the validity, enforceability or priority of said mortgage or said interest in land.

397. The transactions (c) through (o) identified in paragraph 392 were closed by Nations Title as agent for Fidelity.

398. In the alternative, although Fidelity maintains it terminated Nations Title’s agency, Fidelity failed to notify Fremont that Nations Title was no longer its authorized agent and otherwise failed to take reasonable steps to prevent Nations Title from representing itself as an

issuing agent of Fidelity. Thus, Nations Title acted with apparent authority when it issued the CPLs.

399. In connection with transactions (c) through (o) identified in paragraphs 392, Nations Title fabricated and forged key loan documents including the mortgage, mortgage note and warranty deed.

400. In connection with transactions (c) through (o) identified in paragraph 392, Nations Title failed to comply with Fremont's closing instructions because Fremont's mortgage and mortgage note were not recorded.

401. Fremont has submitted claims to Fidelity under each of the CPLs issued in connection with transactions (c) through (o) identified in paragraph 392, arising from Nations Title's fraud and failure to comply with Fremont's closing instructions. Fidelity, however, has refused to indemnify Fremont for its losses arising therefrom.

402. By refusing to indemnify Fremont under the CPLs, Fidelity has breached the terms of the CPLs.

403. As a direct and proximate result of Fidelity's breach of contract, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$4,000,000.

Common Law Fraud

Fremont v. Fidelity

404. Plaintiff realleges paragraphs 1 through 120 and 380 through 403 as if fully set forth verbatim herein.

405. In transactions (c) through (o) identified in paragraph 392, Fidelity's issuing agent, Nations Title, engaged in fraud through the conduct alleged above.

406. Fidelity put Nations Title in a position where it could defraud Fremont while acting within its actual or apparent authority as agent for Fidelity.

407. As a direct and proximate cause of the fraud of Fidelity's issuing agent, Nations Title, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$4,000,000.

Violation of the Michigan Consumer Protection Act

Fremont v. Fidelity

408. Plaintiff realleges paragraphs 1 through 120 and 380 through 407 as if fully set forth verbatim herein.

409. At all times relevant herein, the Michigan Consumer Protection Act ("MCPA"), Mich. Comp. Laws §§ 445.901 *et seq.* provided that "unfair, unconscionable, or deceptive methods, acts, or practices in the conduct of trade or commerce are unlawful." *Id.* at § 445.903(1).

410. Among the acts the MCPA prohibits is "causing a probability of confusion or of misunderstanding with respect to the authority of . . . an agent to negotiate the final terms of the transaction." *See id.* at § 445.903(m).

411. In connection with transactions (d) through (o) identified in paragraph 392, assuming that Fidelity had in fact terminated Nations Title's agency, Fidelity failed to give proper notice that it had done so, thereby creating the probability of confusion or

misunderstanding about Nations Title's authority to issue CPLs and close transactions on Fidelity's behalf.

412. As a direct and proximate result of Fidelity's conduct, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$3,800,000.

COUNT XI

CLAIMS AGAINST DEFENDANTS DARLA APPLEBEE, ROBERT APPLEBEE, BROAD, DEGUISE, GALANTE, JOSEPH, RAMON LARA, JR., CHARRON MCDONALD, PHILIP MCDONALD, MORGAN, JACQUELINE NAPPER, PAUL NICHOLAS, PALMERI, WILSON, YOUNT, DESK TOP APPRAISALS AND KEY APPRAISERS

413. Defendant Darla Applebee (“Darla Applebee”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Darla Applebee was associated with Duke and assisted him in the scheme to defraud.

414. Defendant Robert Applebee (“Robert Applebee”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Robert Applebee was associated with Duke and assisted him in the scheme to defraud.

415. Defendant Eric Broad (“Broad”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Broad was associated with Duke and assisted him in the scheme to defraud.

416. Defendant Patrick DeGuise (“DeGuise”) is a citizen of the State of Michigan. During some or all of the relevant time herein, DeGuise was associated with Duke and assisted him in the scheme to defraud.

417. Defendant Donna Galante (“Galante”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Galante was associated with Duke and assisted him in the scheme to defraud.

418. Defendant Joseph C. Joseph (“Joseph”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Joseph was associated with Duke and assisted him in the scheme to defraud.

419. Defendant Ramon Lara, Jr. (“Ramon Lara, Jr.”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Ramon Lara, Jr. was associated with Duke and assisted him in the scheme to defraud.

420. Defendant Charron McDonald (“Charron McDonald”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Charron McDonald was associated with Duke and assisted him in the scheme to defraud.

421. Defendant Philip McDonald (“Philip McDonald”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Philip McDonald was associated with Duke and assisted him in the scheme to defraud.

422. Defendant Bruce Morgan (“Morgan”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Morgan was associated with Duke and assisted him in the scheme to defraud.

423. Defendant Jacqueline Napper (“Jacqueline Napper”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Jacqueline Napper was associated with Duke and assisted him in the scheme to defraud.

424. Defendant Paul Nicholas (“Paul Nicholas”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Paul Nicholas was associated with Duke and assisted him in the scheme to defraud.

425. Defendant Carlo Palmeri (“Palmeri”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Palmeri was associated with Duke and assisted him in the scheme to defraud.

426. Defendant Ronald Wilson (“Wilson”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Wilson was associated with Duke and assisted him in the scheme to defraud.

427. Defendant Larry Yount (“Yount”) is a citizen of the State of Michigan. During some or all of the relevant time herein, Yount was associated with Duke and assisted him in the scheme to defraud.

428. Defendant Desk Top Appraisals LLC (“Desk Top Appraisals”) is a Michigan limited liability corporation with its principal place of business in Dearborn Heights, Michigan. During some or all of the relevant time herein, Defendant Zreik owned and controlled Desk Top Appraisals.

429. Defendant Key Appraisers.com LLC (“Key Appraisers”) is a Michigan limited liability corporation with its principal place of business in Clinton Township, Michigan. During some or all of the relevant time herein, Defendant Baker owned and controlled Key Appraisers.

430. Key participants in Duke’s mortgage fraud scheme were sellers of properties – both for ghost and straw loan transactions. On information and belief, sellers of properties on straw loan transactions knew the properties being sold were not intended to be used as indicated on loan applications and other related documents. Sellers of properties on ghost loan transactions knew no bona fide sale or purchase of the subject property was intended. Defendants Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, and Paul Nicholas acted as sellers in connection with the scheme. Charron McDonald and Philip McDonald were the sellers on transaction (k) identified in paragraph 102 above; Morgan was the seller on transaction (m) identified in paragraph 101 above; Jacqueline Napper was the seller on

transaction (mm) identified in paragraph 102 above; and Paul Nicholas was the seller on transaction (n) identified in paragraph 101 above.

431. Defendants Darla Applebee, Robert Applebee, Broad, Galante, Joseph, Ramon Lara, Jr., Palmeri, and Yount acted as straw buyers in connection with the scheme. The transactions on which these defendants were straw buyers are identified in paragraph 101 above.

432. On information and belief, defendant Wilson acted as straw buyer and/or seller in connection with the scheme. Wilson was designated as tax payer of record on one or more of the properties for which Fremont funded mortgages. Defendant Wilson is the taxpayer of record on the property involved in transaction (a) identified in paragraph 102 above.

433. Defendants DeGuise and Morgan received monies from accounts under Duke's control at various financial institutions and converted and misappropriated those funds for their own personal use and enjoyment and for the use and enjoyment of Duke and others involved in the scheme.

434. Defendants Desk Top Appraisals and Key Appraisers, through their agents, acted as appraisers in connection with the scheme. Desk Top Appraisals, through its agents, performed the appraisals in connection with transaction (o) identified in paragraph 101 and transactions (i), (mm) and (oo) identified in paragraph 102 above. Key Appraisers, through its agents, performed the appraisals in connection with transactions (a), (b), (d), (h), (i), and (q) identified in paragraphs 101 and transactions (b), (c), (e), (f), (g), (h), (j), (k) and (l) identified in paragraph 102 above.

Violations of 18 U.S.C. § 1962(c)

**Fremont v. Darla Applebee, Robert Applebee, Broad, DeGuise, Galante,
Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan,
Jacqueline Napper, Paul Nicholas, Palmeri, Wilson,
Yount, Desk Top Appraisals and Key Appraisers**

435. Plaintiff realleges paragraphs 1 through 200 and 413 through 434 above as if set forth verbatim herein.

436. Darla Applebee, Robert Applebee, Broad, DeGuise, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson, and Yount were all members of the Association alleged in paragraph 122(b) above.

437. Darla Applebee is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association. Through her membership and association, Darla Applebee was associated with the enterprises.

438. Robert Applebee is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association. Through his membership and association, Robert Applebee was associated with the enterprises.

439. Broad is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association. Through his membership and association, Broad was associated with the enterprises.

440. DeGuise is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association.

Through his membership and association, DeGuise was associated with the enterprises.

441. Galante is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association.

Through her membership and association, Galante was associated with the enterprises.

442. Joseph is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association.

Through his membership and association, Joseph was associated with the enterprises.

443. Ramon Lara, Jr. is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association. Through his membership and association, Ramon Lara, Jr. was associated with the enterprises.

444. Charron McDonald is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association. Through her membership and association, Charron McDonald was associated with the enterprises.

445. Philip McDonald is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association. Through his membership and association, Philip McDonald was associated with the enterprises.

446. Morgan is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association.

Through his membership and association, Morgan was associated with the enterprises.

447. Jacqueline Napper is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the

Association. Through her membership and association, Jacqueline Napper was associated with the enterprises.

448. Paul Nicholas is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association.

Through his membership and association, Paul Nicholas was associated with the enterprises.

449. Palmeri is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association.

Through his membership and association, Palmeri was associated with the enterprises.

450. Wilson is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association.

Through his membership and association, Wilson was associated with the enterprises.

451. Yount is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, associated with Specialty Holdings and was a member of the Association.

Through his membership and association, Yount was associated with the enterprises.

452. Desk Top Appraisals is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, through its agent Zreik, associated with Specialty Holdings, Duke

and the Association. Through its association, Desk Top Appraisals was associated with the enterprises.

453. Key Appraisers is a person as that term is defined in 18 U.S.C. § 1961(3) and was, at all relevant times, through its agent Baker, associated with Specialty Holdings, Duke and the Association. Through its association, Key Appraisers was associated with the enterprises.

454. From time to time from 2004 through sometime in 2007, Darla Applebee, Robert Applebee, Broad, DeGuise, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson, and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, knowingly conducted, participated in, controlled, manipulated, or directed one or more of the enterprises' affairs through a pattern of racketeering activity consisting of violations of the federal mail and wire fraud statutes, and the federal money laundering statutes, in violation of 18 U.S.C. § 1962(c).

455. Specifically, Darla Applebee, Robert Applebee, Broad, DeGuise, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, facilitated and implemented the scheme to defraud as follows:

- a. Darla Applebee posed as a borrower on one or more straw or ghost loan transactions.
- b. Robert Applebee posed as a borrower on one or more straw or ghost loan transactions.
- c. Broad posed as a borrower on one or more straw or ghost loan transactions.

- d. DeGuise laundered money out of one or more accounts controlled by Duke at various financial institutions.
- e. Galante posed as a borrower on one or more straw or ghost loan transactions.
- f. Joseph posed as a borrower on one or more straw or ghost loan transactions.
- g. Ramon Lara, Jr. posed as a borrower on one or more straw or ghost loan transactions.
- h. Charron McDonald posed as a seller on one or more straw or ghost loan transactions.
- i. Philip McDonald posed as a seller on one or more straw or ghost loan transactions.
- j. Morgan posed as a seller on one or more straw or ghost loan transactions and laundered money out of one or more accounts controlled by Duke at various financial institutions.
- k. Jacqueline Napper posed as a seller on one or more straw or ghost loan transactions.
- l. Paul Nicholas posed as a seller on one or more straw or ghost loan transactions.
- m. Palmeri posed as a borrower on one or more straw or ghost loan transactions.
- n. Wilson was the taxpayer of record in connection with one or more straw or ghost loan transactions. On information and belief, Wilson also posed as a borrower or a seller on one or more straw or ghost loan transactions.
- o. Yount posed as a borrower on one or more straw or ghost loan transactions.

- p. Desk Top Appraisals, through its agent Zreik, prepared fraudulent appraisals in ghost loan transactions.
- q. Key Appraisers, through its agent Baker, prepared fraudulent appraisals in ghost loan transactions.

456. Darla Applebee, Robert Applebee, Broad, DeGuise, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, all received substantial monetary and other benefits resulting from the scheme to defraud.

457. Darla Applebee, Robert Applebee, Broad, DeGuise, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, knew that the U.S. Postal Service, private or commercial interstate carriers, and interstate wires and telephone lines would be used in furtherance of Duke's scheme to defraud, as described in paragraph 118 above, in violation of the federal mail and wire fraud statutes, 18 U.S.C. §§ 1341 and 1343.

458. DeGuise and Morgan engaged in money laundering activity by conducting financial transactions, including but not limited to receiving moneys from accounts at various banks to which the mortgage proceeds identified in paragraph 118 were transferred, all while they knew or deliberately and consciously avoided confirming that the funds involved in the transactions were the proceeds of some form of unlawful activity, and the transactions were designed to conceal or disguise the nature, location, ownership, or control of the funds, in violation of 18 U.S.C. §§ 1956(a)(1) and (2).

459. The uses of the mails and wires in furtherance of the scheme to defraud and the money laundering activity amounted to continuing criminal activity and thus constituted a pattern of racketeering activity pursuant to 18 U.S.C. § 1961(1)(b)(5), in violation of 18 U.S.C. § 1962(c). This pattern of racketeering activity and the enterprises alleged above in paragraph 122 are separate. The buying, renting, and selling of real estate by Specialty Holdings and the Association were conducted through the pattern of racketeering activity described above, including making misrepresentations to obtain funding for the purchase (or ostensible purchase) of real estate, illegally using the mails and wires for the purpose of misappropriating the proceeds of mortgage loans obtained, and laundering those proceeds for defendants' personal use and to perpetuate the scheme to defraud.

460. The uses of the mails and wires described in paragraph 118 above in furtherance of the scheme to defraud was the regular way of conducting the ongoing business activities of Darla Applebee, Robert Applebee, Broad, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, and would have continued indefinitely, had federal authorities not learned of the scheme and taken action to end it.

461. The money laundering activity described in paragraph 120 above was the regular way of conducting the ongoing business activities of DeGuise and Morgan and would have continued indefinitely, had federal authorities not learned of the scheme and taken action to end it.

462. As a direct result of the operation of the enterprises through the above-described pattern of racketeering activity, Fremont was injured in its business and property in an amount

not yet fully determined, but believed to be in excess of \$20,000,000. Fremont was injured because, among other reasons, the loans went into default and because, in many instances, due to the fraud, it did not have the protection of a secured interest in the property. No civil litigation has resulted in a judgment with regard to the scheme to defraud or any of the predicate acts alleged.

Violations of 18 U.S.C. § 1962(d)

**Fremont v. Darla Applebee, Robert Applebee, Broad, DeGuise, Galante,
Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan,
Jacqueline Napper, Paul Nicholas, Palmeri, Wilson,
Yount, Desk Top Appraisals and Key Appraisers**

463. Plaintiff realleges paragraphs 1 through 211 and 413 through 462 above as if set forth verbatim herein.

464. Darla Applebee, Robert Applebee, Broad, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, conspired to participate in one or more of the enterprises' affairs through a pattern of racketeering activity, specifically: multiple acts of mail and wire fraud in violation of 18 U.S.C. § 1341 and 18 U.S.C. § 1343, and multiple acts of money laundering in violation of 18 U.S.C. § 1956(a)(1) and (2), in violation of 18 U.S.C. § 1962(c), all in violation of 18 U.S.C. § 1962(d).

465. Specifically, Duke and other defendants devised and implemented a scheme to defraud Fremont and other mortgage lenders out of tens of millions of dollars. Darla Applebee, Robert Applebee, Broad, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk

Top Appraisals and Key Appraisers, through their agents, knew that Duke and others were engaged in a scheme to defraud Fremont and other mortgage lenders out of tens of millions of dollars.

466. Darla Applebee, Robert Applebee, Broad, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, agreed to facilitate Duke's scheme to defraud, and did facilitate Duke's scheme to defraud, and agreed to facilitate and did facilitate Duke's money laundering activities by the conduct alleged above in paragraphs 91-99, 103-106, 111-120, 430-434, and 455(a)- 455(q).

467. By this conduct Darla Applebee, Robert Applebee, Broad, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, agreed to participate in the affairs of the enterprises through a pattern of racketeering activity.

468. Fremont was injured in its business and property by reason of the violation of 18 U.S.C. § 1962(d) in an amount not yet fully determined, but believed to be in excess of \$20,000,000. Fremont was injured because, among other reasons, the loans went into default and because, in many instances, due to the fraud, it did not have the protection of a secured interest in the property that was the subject of the mortgage transaction. No civil litigation has resulted in a judgment with regard to the conspiracy or any of the predicate acts alleged.

Common Law Fraud

**Fremont v. Darla Applebee, Robert Applebee, Broad, DeGuise, Galante,
Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan,
Jacqueline Napper, Paul Nicholas, Palmeri, Wilson,
Yount, Desk Top Appraisals and Key Appraisers**

469. Plaintiff realleges paragraphs 1 through 211 and 413 through 468 above as if set forth verbatim herein.

470. Duke devised and implemented the scheme to defraud by acquiring and gaining control over mortgage loan proceeds while concealing the true nature of the loan transactions, participating in the laundering of the mortgage loan proceeds illegally obtained, engaging in both straw and ghost loan transactions, and making misrepresentations concerning the conduct of himself and others, upon which Fremont reasonably relied, for the benefit of himself and others. Darla Applebee, Robert Applebee, Broad, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, implemented Duke's scheme to defraud by knowingly assisting in acquiring and gaining control over mortgage loan proceeds while concealing the true nature of the loan transactions, participating in the laundering of the mortgage loan proceeds illegally obtained, engaging in both straw and ghost loan transactions, and making misrepresentations concerning the conduct of themselves and others, upon which Fremont reasonably relied, for the benefit of Duke, themselves and others.

471. As a direct and proximate result of these Defendants' frauds, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$20,000,000.

Civil Conspiracy

Fremont v. Darla Applebee, Robert Applebee, Broad, DeGuise, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson, Yount, Desk Top Appraisals and Key Appraisers

472. Plaintiff realleges paragraphs 1 through 211 and 413 through 471 as if set forth verbatim herein.

473. By their conduct alleged above, Darla Applebee, Robert Applebee, Broad, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, conspired to acquire and gain control over mortgage loan proceeds while concealing the true nature of the loan transactions, participate in the laundering of the mortgage loan proceeds illegally obtained, engage in both straw and ghost loan transactions, and make misrepresentations about the conduct of themselves and others, upon which Fremont reasonably relied.

474. As a direct and proximate cause of the actions taken in furtherance of this conspiracy, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$20,000,000.

Aiding and Abetting Fraud

Fremont v. Darla Applebee, Robert Applebee, Broad, DeGuise, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson, Yount, Desk Top Appraisals and Key Appraisers

475. Plaintiffs reallege paragraphs 1 through 211 and 413 through 474 above as if set forth verbatim herein.

476. Darla Applebee, Robert Applebee, Broad, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, each assisted Duke in his scheme to defraud through the conduct described above.

477. At the time they assisted Duke, defendants Darla Applebee, Robert Applebee, Broad, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, each knew that Duke sought to acquire and gain control of mortgage loan proceeds while concealing from others his control. In addition, Darla Applebee, Robert Applebee, Broad, Galante, Joseph, Ramon Lara, Jr., Charron McDonald, Philip McDonald, Morgan, Jacqueline Napper, Paul Nicholas, Palmeri, Wilson and Yount, and Desk Top Appraisals and Key Appraisers, through their agents, each knew, or purposefully contrived to avoid learning, that Duke sought to launder funds through a variety of methods.

478. As a direct result of Duke's scheme to defraud, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$20,000,000.

COUNT XII

ADDITIONAL CLAIM AGAINST DEGUISE AND MORGAN

Statutory Conversion

Fremont v. DeGuise and Morgan

479. Plaintiff realleges paragraphs 1 through 200 and 413 through 462 as if fully set forth verbatim herein.

480. DeGuise and Morgan stole and/or embezzled and/or converted Fremont's money to their own use.

481. Pursuant to Mich. Comp. Laws § 600.2919a(1), Fremont is entitled to recover three times the amount of actual damages sustained, in an amount yet to be determined, plus costs and reasonable attorneys' fees.

COUNT XIII

ADDITIONAL CLAIMS AGAINST DESK TOP APPRAISALS AND ZREIK

Negligence

Fremont v. Desk Top Appraisals and Zreik

482. Plaintiff realleges paragraphs 1 through 120 and 413 through 434 above as if set forth verbatim herein.

483. Desk Top Appraisals and Zreik owed Fremont a duty to exercise ordinary and reasonable care in the submission of appraisals in connection with the funding of mortgage loans.

484. Desk Top Appraisals and Zreik breached that duty by, among other things, submitting appraisals in connection with transaction (o) identified in paragraph 101, and transactions (i), (mm), and (oo) identified in paragraph 102, when they knew, or should have known, that bona fide purchases of all or some of the subject properties would not transpire.

485. As a direct and proximate cause of Desk Top Appraisals's and Zreik's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,092,000.

Negligent Misrepresentation

Fremont v. Desk Top Appraisals and Zreik

486. Plaintiff realleges paragraphs 1 through 120, 413 through 434, and 482 through 485 above as if set forth verbatim herein.

487. Desk Top Appraisals and Zreik submitted appraisals in connection with transaction (o) identified in paragraph 101, and transactions (i), (mm), and (oo) identified in

paragraph 102, in furtherance of a representation that a bona fide purchase of the subject properties would transpire.

488. These representations in connection with the appraisals were false.

489. Desk Top Appraisals and Zreik knew or should have known that the representations were false at the time they were made.

490. As a direct and proximate cause of Desk Top Appraisals's and Zreik's negligent misrepresentations, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,092,000.

COUNT XIV

ADDITIONAL CLAIMS AGAINST KEY APPRAISERS AND BAKER

Negligence

Fremont v. Key Appraisers and Baker

491. Plaintiff realleges paragraphs 1 through 120 and 413 through 434 above as if set forth verbatim herein.

492. Key Appraisers and Baker owed Fremont a duty to exercise ordinary and reasonable care in the submission of appraisals in connection with the funding of mortgage loans.

493. Key Appraisers and Baker breached that duty by, among other things, submitting appraisals in connection with transactions (a), (b), (d), (h), (i), and (q) identified in paragraph 101, and transactions (b), (c), (e), (f), (g), (h), (j), (k), and (l) identified in paragraph 102, when they knew, or should have known, that bona fide purchases of all or some of the subject properties would not transpire.

494. As a direct and proximate cause of Key Appraisers's and Baker's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$5,001,900.

Negligent Misrepresentation

Fremont v. Key Appraisers and Baker

495. Plaintiff realleges paragraphs 1 through 120, 413 through 434, and 491 through 494 above as if set forth verbatim herein.

496. Key Appraisers and Baker submitted appraisals in connection with transactions (a), (b), (d), (h), (i), and (q) identified in paragraph 101, and transactions (b), (c), (e), (f), (g), (h), (j), (k), and (l) identified in paragraph 102, in furtherance of a representation that a bona fide purchase of the subject properties would transpire.

497. These representations in connection with the appraisals were false.

498. Key Appraisers and Baker knew or should have known that the representations were false at the time they were made.

499. As a direct and proximate cause of Key Appraisers's and Baker's negligent misrepresentations, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$5,001,900.

COUNT XV

ADDITIONAL CLAIMS AGAINST OWNER REALTY

Negligence

Fremont v. Owner Realty

500. Plaintiff realleges paragraphs 1 through 120 above as if set forth verbatim herein.

501. Owner Realty owed Fremont a duty to exercise ordinary and reasonable care in the submission of purchase agreements for mortgage loan transactions.

502. This duty included an obligation to disclose all information material to Fremont's lending decision and a duty not to engage in fraudulent or misleading practices.

503. Owner Realty breached that duty by, among other things, negligently submitting false purchase agreements in connection with transactions (m), (o), (t), (v), (x), (y), (z), (gg), and (hh) identified in paragraph 102.

504. As a direct and proximate cause of Owner Realty's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$3,397,000.

Negligent Hiring/Retention

Fremont v. Owner Realty

505. Plaintiff realleges paragraphs 1 through 120 and 500 through 504 above as if set forth verbatim herein.

506. Owner Realty employed Shilakes for the purpose of brokering real estate transactions in Michigan.

507. Shilakes was unfit, incompetent and dangerous for this purpose and with the exercise of reasonable and ordinary care Owner Realty knew or should have known this at the time it hired Shilakes and throughout the time it retained Shilakes as an employee.

508. Owner Realty failed to exercise reasonable or ordinary care to adequately supervise Shilakes.

509. As a direct and proximate cause of Owner Realty's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$1,054,000.

COUNT XVI

ADDITIONAL CLAIMS AGAINST REAL ESTATE ONE

Negligence

Fremont v. Real Estate One

510. Plaintiff realleges paragraphs 1 through 120 above as if set forth verbatim herein.

511. Real Estate One owed Fremont a duty to exercise ordinary and reasonable care in the submission of purchase agreements for mortgage loan transactions.

512. This duty included an obligation to disclose all information material to Fremont's lending decision and a duty not to engage in fraudulent or misleading practices.

513. Real Estate One breached that duty by, among other things, negligently submitting false purchase agreements in connection with transactions (b), (c), (d), (e), (f), (g), (h), (j), (k), (p), (q), (r), (s), and (pp) identified in paragraph 102.

514. As a direct and proximate cause of Owner Realty's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$5,282,300.

Negligent Hiring/Retention

Fremont v. Real Estate One

515. Plaintiff realleges paragraphs 1 through 120 and 510 through 514 above as if set forth verbatim herein.

516. Real Estate One employed Bazzi and Sweeney as real estate agents for the purpose of brokering real estate transactions in Michigan.

517. Bazzi and Sweeney were unfit, incompetent and dangerous for this purpose and with the exercise of reasonable and ordinary care Real Estate One knew or should have known this at the time it contracted with Bazzi and Sweeney and throughout the time it retained Bazzi and Sweeney as agents.

518. Real Estate One failed to exercise reasonable or ordinary care to adequately supervise Bazzi and Sweeney.

519. As a direct and proximate cause of Real Estate One's negligence, Fremont was damaged in an amount not yet determined, but believed to be in excess of \$5,282,300.

COUNT XVII**CLAIMS AGAINST JP MORGAN CHASE BANK**

520. Defendant JP Morgan Chase Bank (“Chase”) is a national bank with its principal place of business in New York, New York. During some or all of the relevant time herein, Chase maintained multiple banking branches in the State of Michigan.

521. Between 2004 and 2007, Duke and others under his direction and control, including Brierley, Richardson, Wells, First Escrow, Lawyers Escrow, Liberty Title, and Nations Title, opened and maintained at least six accounts at various Chase branches in Michigan (collectively referred to herein as the “Chase Accounts”):

<u>Account Name</u>	<u>Account Number</u>	<u>Chase Branch</u>
Lawyers Escrow	656840444	Flushing Point, MI
First Escrow Co LLC	662124288	Fenton, MI
First Escrow Co LLC	66214569	Fenton, MI
Liberty Title & Escrow Services LLC	653330050	Cherry Hill-Merriman, MI
Nations Title of Ohio	716567946	Cherry Hill-Merriman, MI
Nations Title of Ohio General Fund Account	716568472	Cherry Hill-Merriman, MI

522. Upon the instruction of Duke and others acting under his direction and control who were posing as closing agents for transactions funded by Fremont, Fremont wire-transferred the proceeds of thirty-six loans to the above accounts at Chase. The total amount of mortgage proceeds Fremont transferred to these accounts exceeded \$13,000,000.

523. Duke and others acting under his direction and control, including Brierley, Richardson, Wells, First Escrow, Lawyers Escrow, Liberty Title, and Nations Title, converted the funds, including Fremont mortgage proceeds, through these accounts and laundered the proceeds to their own use and enjoyment. As examples: at least \$1.7 million was wire-transferred from the Lawyers Escrow account to Defendant Hardcore Motorsports; over \$6 million in checks were written to Defendant DeGuise from the First Escrow account number 66214569; over \$3 million in checks were written to Defendant Duke from the Nations Title account number 716567946; and over \$1.2 million in checks were written to Duke from Nations Title account number 716568472.

524. The activity in the Chase Accounts involved the proceeds of unlawful activity and was designed, in whole or part, to conceal or disguise the nature, location, source, ownership, or control of those proceeds, in violation of 18 U.S.C. § 1956(a)(1).

Negligence

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525. Plaintiff realleges paragraphs 1 through 120 and 520 through 524 above as if set forth verbatim herein.

526. As a national bank, Chase has “know your customer” obligations to create and implement procedures to allow it to form a reasonable belief that it knows the true identity of each of its customers.

527. As a national bank, Chase also has obligations to report to regulatory or law enforcement authorities any transaction that it knows, suspects, or has reason to suspect, involves funds derived from illegal activities, or is intended or conducted in order to hide or disguise

funds derived from illegal activities as part of a plan to violate or evade any law. Chase also has obligations to report to regulatory or law enforcement authorities any transaction that it knows, suspects, or has reason to suspect has no business or apparent lawful purpose, or is not the sort of transaction in which a particular customer would normally be expected to engage.

528. Chase knew or should have known, based on the corporate names of the customers and the nature of the business they were purporting to conduct, that First Escrow, Lawyers Escrow, Liberty Title, and Nations Title, were closing or title agents acting in a fiduciary capacity in connection with real estate transactions. Chase also knew or should have known that funds deposited into the Chase Accounts belonged to Fremont and other mortgage lenders and not to Chase's customers First Escrow, Lawyers Escrow, Liberty Title, and Nations Title. Therefore, Chase owed Fremont and the other mortgage lenders whose funds were deposited in the Chase Accounts a duty of reasonable care to recognize, detect, stop and refrain from participating in the money laundering transactions alleged herein.

529. At the time it opened certain of the Chase Accounts, Chase knew or should have known that its customer's address was outside the service area of the branch where the account was opened.

530. Chase knew or should have known that the Chase accounts showed: (1) unusual activity in purchases of money orders and cashier's checks; (2) receipt of wire transfers and rapid purchase of monetary instruments for payment to other parties; and (3) transactions not consistent with either the escrow account activity of a closing or title agency or the general business account of a closing or title agency.

531. As an example, the Lawyers Escrow account was designated as a “Basic Business Checking” account at the time of opening. Yet, over the course of over three years that the account was active, Lawyers Escrow wrote fewer than 100 checks from the account. During that same time, however, Lawyers Escrow made over 800 withdrawals from the account; on information and belief, these withdrawals were in cash or were made to purchase official or cashier’s checks.

532. Similarly, cashier’s or official checks were frequently purchased from both of the First Escrow accounts. These checks often designated a remitter other than First Escrow. On more than one occasion First Escrow was shown as the payee on cashier’s checks purchased from its own account.

533. The First Escrow, Liberty Title, and Nations Title accounts involved repeated instances of multiple checks written in a single month to the same individual for large five- and six-figure sums. For example, in October 2005, twenty-one checks were written to DeGuise in the total amount of \$2,070,500 from the First Escrow account number 66214569. In June 2005, two checks were written to DeGuise in the total amount of \$196,000 from the Liberty Title account. In July 2006, thirteen checks were written to DeGuise in the total amount of \$1,141,291 from the Nations Title account number 716567946. And in December 2006, seventeen checks were written to Duke in the total amount of \$1,170,426.30 from the Nations Title account number 716568472.

534. This activity was inconsistent with the type of activity in which an escrow company or closing or title agency would be expected to engage and suggested a high probability

of illegal conduct taking place in the Chase Accounts. As a result, Chase had a duty to make a reasonable inquiry to determine whether there was a reasonable explanation for the transactions.

535. On information and belief, Chase failed to make any inquiry about the activity in the Chase Accounts. Because Chase failed to make reasonable inquiry, it is charged with the knowledge such an inquiry would have disclosed. Furthermore, Chase failed to recognize, detect, stop or refrain from participating in these transactions, or to prevent money laundering from taking place in the Chase Accounts.

536. Through all of the conduct alleged above, Chase breached its duty of care to Fremont.

537. Had Chase made inquiry about the activity in the Chase Accounts or reported the suspicious activity in the Chase Accounts to regulatory or law enforcement authorities, Duke's scheme to defraud would have been uncovered, Duke's illegal activity would have stopped, and Fremont would not have been injured.

538. As a direct and proximate result of Chase's breach of its duty of care, Fremont was injured and suffered damages in an amount not yet determined, but believed to be in excess of \$13,000,000.

Aiding and Abetting Breach of Fiduciary Duty

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539. Plaintiff realleges paragraphs 1 through 120 and 520 through 538 above as if set forth verbatim herein.

540. As closing or title agents, First Escrow, Lawyers Escrow, Liberty Title, and Nations Title owed fiduciary duties to Fremont.

541. Through the activity in the Chase Accounts described above, First Escrow, Lawyers Escrow, Liberty Title, and Nations Title breached their fiduciary duties to Fremont and the other mortgage lenders by converting mortgage proceeds and laundering the proceeds for their own use and enjoyment.

542. Through the activity in the Chase Accounts described above, Chase knew that First Escrow, Lawyers Escrow, Liberty Title, and Nations Title were breaching their fiduciary duties to Fremont and other mortgage lenders.

543. By failing to recognize, detect, stop or refrain from participating in these transactions, or to prevent money laundering from taking place in the Chase Accounts, Chase substantially assisted First Escrow, Lawyers Escrow, Liberty Title, and Nations Title in breaching their fiduciary duties.

544. As a direct and proximate result of these breaches of fiduciary duty, Fremont was injured and suffered damages in an amount not yet determined, but believed to be in excess of \$13,000,000.

PRAYER FOR RELIEF

WHEREFORE, with respect to Counts I through XVII of this Complaint, Plaintiff does hereby pray for the following relief against Defendants, jointly and severally, as follows:

(A) a trial by jury of appropriate number;

(B) with regard to all claims arising under the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. §§ 1962(a), (c) and (d), Plaintiffs pray for compensatory damages in an amount to be proven at trial, that the amount of said damages be trebled, and that plaintiff be awarded prejudgment interest, attorneys' fees, costs, and such other relief as is just and proper, all pursuant to 18 U.S.C. § 1964(c);

(C) with regard to all claims of common law fraud, Plaintiff prays for compensatory damages in an amount to be proven at trial, and that plaintiff be awarded prejudgment interest, punitive damages, costs, and such other relief as is just and proper;

(D) with regard to all claims of civil conspiracy, Plaintiff prays for compensatory damages in an amount to be proven at trial, and that plaintiff be awarded prejudgment interest, punitive damages, costs, and such other relief as is just and proper;

(E) with regard to all claims of aiding and abetting fraud, Plaintiff prays for compensatory damages in an amount to be proven at trial, and that plaintiff be awarded prejudgment interest, punitive damages, costs, and such other relief as is just and proper;

(F) with regard to all claims of statutory conversion, Plaintiff prays for three times actual damages in an amount to be proven at trial, and that plaintiff be awarded attorneys' fees, costs, and such other relief as is just and proper;

(G) with regard to all claims of breach of contract, Plaintiff prays for compensatory damages in an amount to be proven at trial, and that plaintiff be awarded prejudgment interest, costs, and such other relief as is just and proper;

(H) with regard to all claims of negligence, Plaintiff prays for compensatory damages in an amount to be proven at trial, and that plaintiff be awarded prejudgment interest, costs, and such other relief as is just and proper;

(I) with regard to all claims of negligent hiring/retention, Plaintiff prays for compensatory damages in an amount to be proven at trial, and that plaintiff be awarded prejudgment interest, costs, and such other relief as is just and proper;

(J) with regard to all claims under the Michigan Consumer Fraud Act, Plaintiff prays for compensatory damages in an amount to be proven at trial, and that plaintiff be awarded prejudgment interest, attorneys' fees, costs, and such other relief as is just and proper;

(K) with regard to all claims of negligent misrepresentation, Plaintiff prays for compensatory damages in an amount to be proven at trial, and that plaintiff be awarded prejudgment interest, costs, and such other relief as is just and proper; and

(L) with regard to all claims of aiding and abetting breach of fiduciary duty, Plaintiff prays for compensatory damages in an amount to be proven at trial, and that plaintiff be awarded prejudgment interest, costs, and such other relief as is just and proper.

FREMONT REORGANIZING CORP.

/s/ Cynthia H. Hyndman

One of Its Attorneys

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CERTIFICATE OF SERVICE

I hereby certify that on November 15, 2010, I electronically filed Plaintiff's **First Amended Complaint** with the Clerk of the Court using the ECF system, which will send notification to all participants on this case.

/s/ Cynthia H. Hyndman