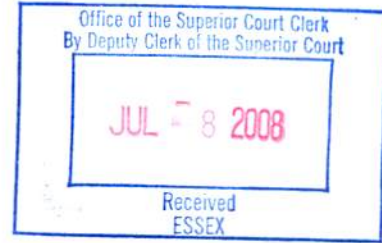


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MELVIN GIBSON,  
individually and on behalf of all  
others similarly situated,

Plaintiff,

v.

MAURICE BETHEA;  
BLU FINANCIAL GROUP, INC.;  
BORN ASIATIC; GREENFIELD  
ASSET HOLDINGS; DANIEL ROY

Defendants.

SUPERIOR COURT OF NEW JERSEY

ESSEX COUNTY, LAW DIVISION

DOCKET NO.:

2-5364-08

Civil Action

COMPLAINT

MELVIN GIBSON (hereinafter "Gibson"), hereby alleges:

**PRELIMINARY STATEMENT**

1. The "housing crisis" that is sweeping the country has had severe repercussions throughout all areas of society and across all demographics. However, no one has been affected more than residents of inner cities. Recent reports show that the average price of an



existing single-family home in U.S. metropolitan areas fell six percent in the fourth quarter of 2007, while foreclosure rates in the top 100 metropolitan areas soared 78 percent last year.<sup>1</sup>

Many of these foreclosures are the result of complex and sophisticated predatory lending and property-flipping schemes. While those perpetrating these schemes are willing to victimize anyone, they are most likely to target racial minorities, the elderly, and the less-educated.

Predatory lending and property-flipping practices strip borrowers of home equity and threaten families with foreclosure, destabilizing the very communities that were beginning to enjoy the fruits of our nation's economic success.<sup>2</sup>

2. This is a class action on behalf of all investment property purchasers defrauded by a complex predatory lending and property-flipping scheme constructed and repeatedly employed by Defendants Blu Financial Group, Inc., Maurice Bethea, Born Asiatic, Greenfield Asset Holdings, with the assistance of Daniel Roy, Esq. Bethea, Blu and the other entities that targeted purchasers in the Newark, New Jersey area based on their race and lack of familiarity with purchasing and financing real estate. They and their agents approached the Plaintiffs and subsequently induced them through fraud and misrepresentation to purchase one or more residential properties from Blu Financial (or Born Asiatic or Greenfield Asset Holdings) at prices far in excess of the fair market value of the property. Defendant Roy closed the vast majority of these real estate transactions. Saddled with fraudulently obtained loans and property worth far less than the purchase price, the Plaintiffs have been unable to resell the properties. As a result, Plaintiffs typically fell into default less than one year after they purchased the properties, and then into foreclosure.

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<sup>1</sup> [http://news.yahoo.com/s/nm/20080303/lf\\_nm/usa\\_housing\\_rent\\_dc](http://news.yahoo.com/s/nm/20080303/lf_nm/usa_housing_rent_dc)

<sup>2</sup> <http://www.hud.gov/offices/hsg/sfh/pred/predlend.cfm>

## **JURISDICTION AND VENUE**

3. This Court has personal jurisdiction over the Defendants pursuant to N.J.S.A. 4:4-2(b) because, on information and belief, all are New Jersey residents.

4. Venue is proper in this Court pursuant to N.J.S.A. 4:3-2(a) because Defendants all regularly conduct business in Essex County and, on information and belief, Defendants reside in Essex County.

## **PARTIES**

### **Class Representatives**

5. Plaintiff Melvin Gibson ("Mr. Gibson"), who currently resides at 151 Bergen Avenue in Jersey City, New Jersey, was induced into buying four properties from Defendant Blu Financial Group, Inc. through deceptive practices at various times between August 2005 and November 2005. Because of the illegal practices of Defendants, all four properties became the subject of foreclosure proceedings.

### **Defendants**

6. Defendant Blu Financial Group, Inc. ("Blu Financial"), a New Jersey corporation, is an entity owned by Defendant Maurice Bethea. Representatives of Blu Financial unlawfully induced and defrauded members of the Plaintiff class into buying properties they could not afford at inflated prices.

7. Defendant Maurice Bethea ("Bethea") is the owner, founder, and president of Blu Financial (as well as Born Asiatic and Greenfield Asset Holdings, described *infra*). Bethea's role in the fraud alleged herein included, but is not limited to the following: seeking out prospective property purchasers based, in part, on their good credit scores; using their credit to implement a scheme to fraudulently obtain mortgage financing for home sales and property

flipping by Blu Financial; selling residential properties for amounts well in excess of their fair market value; and disregarding the ability of purchasers to repay the mortgage loans. On or about June 3, 2008, Bethea pled guilty in federal court in Newark to one count of conspiracy to commit mail fraud, in connection with a scheme similar to that alleged herein.

8. Defendant Born Asiatic (“Born”) is an entity owned and controlled by Bethea. Born engaged in financial transactions with Class Plaintiffs in connection with the scheme alleged herein. On information and belief, Born is not in compliance with New Jersey corporate law and has lost its corporate status for failure to file annual reports for two consecutive years; further, on information and belief, Born conducted business with Class Plaintiffs after suspension of its corporate status.

9. Defendant Greenfield Asset Holdings (“Greenfield”) is an entity that is owned and controlled by Bethea. Greenfield engaged in financial transactions with Class Plaintiffs in connection with the scheme alleged herein. Greenfield is not in compliance with New Jersey corporate law and has lost its corporate status for failure to file annual reports for two consecutive years; further, on information and belief, Greenfield conducted business with Class Plaintiffs after suspension of its corporate status.

10. Defendants Bethea, Blu Financial, Born and Greenfield will be referred to herein as the “Blu Defendants.”

11. Defendant Daniel Roy (“Roy”) is a licensed attorney in the State of New Jersey, with offices at 2115 Millburn Ave, Maplewood, NJ, 07040, who, upon information and belief, performed almost all of the real estate closings on the transactions described herein. Further, Roy wrongfully led Plaintiffs to believe that he represented their interests during the closings,

and induced them to sign closing documents as part of the predatory lending and property-flipping scheme.

### **CLASS ALLEGATIONS**

12. Plaintiff brings this class action under R. 4:32-1(a) and (b)(3) on behalf of himself and all similarly-situated purchasers of investment properties who suffered substantial financial damage as a result of the Defendants' fraudulent predatory lending and property flipping scheme. The Plaintiff Class consists of purchasers whom Defendants Bethea and Blu Financial intentionally targeted because of their race and level of financial sophistication, and whom Defendants subsequently induced, through fraud and misrepresentation, to purchase one or more investment properties from Blu Financial, Born, or Greenfield at prices far in excess of fair market value between June of 2002 and the present. Defendants' actions resulted in Class Plaintiffs suffering mortgage default, foreclosure, and lasting financial injuries.

13. The members of the class are so numerous that joinder of all members is impracticable. According to U.S. Treasury Department data, more than 75 people purchased multiple properties from the Defendants since June of 2002. The data also reveals that in the past ten years considerably more than 100 people purchased such investment properties.

14. Questions of law and fact common to all Class members dominate this action. Those include Defendants' violation of the New Jersey Consumer Fraud Act, common law fraud, fraudulent misrepresentation, negligent misrepresentation, negligence, and attorney malpractice.

15. Common questions of fact include Defendants: (1) soliciting Class members as victims of the scheme based on their race, lack of financial sophistication, and good credit scores; (2) misrepresenting the value of the properties and reasonably available rental income

on units in the properties in order to deceive Class members into purchasing “investment” properties at substantially inflated values; (3) arranging for preparation of fraudulent loan applications for the Class Plaintiffs; (4) arranging for fraudulent appraisals of the properties in order to artificially drive up property prices; (5) falsely promising rental income sufficient for Plaintiffs to pay monthly mortgage expenses; (6) knowingly withholding critical information from the purchasers regarding the conditions of the properties and their rehabilitation; (7) misrepresenting that attorney Daniel Roy — or other Blu counsel — represented Class Plaintiffs’ interests at mortgage closings; and (8) causing Class Plaintiffs financial injuries, including foreclosure and bankruptcy.

16. The claims of the representative Plaintiff are typical of the claims of the class. Defendants, through misrepresentations, fraudulently induced Mr. Gibson, the Class Representative, to purchase investment properties at a rate far exceeding the properties’ fair market value and Mr. Gibson’s ability to pay his mortgage obligations. Contrary to the promises and guarantees of the Defendants, the rental income from tenants fell far short of covering Mr. Gibson’s monthly mortgage payments and all of his properties went into foreclosure.

17. The Representative Plaintiff is capable of adequately protecting the interests of the class because his interest in seeking compensatory and punitive damages for the egregious conduct of the Defendants is similar to that of other Class members. Additionally, the Representative Plaintiff has no conflict of interest with other members of the class, and has retained experienced counsel competent to handle the class action and assert the claims of the class.

18. Plaintiffs' counsel, Seton Hall Law Center for Social Justice, is qualified to handle class actions because Counsel has substantial expertise representing plaintiffs in consumer fraud litigation, as well as experience dealing with predatory lending and foreclosure litigation generally. Further, the Center for Social Justice has substantial experience representing plaintiffs in class action litigation. Plaintiffs' counsel will vigorously prosecute this action on behalf of all Class members.

19. Additionally, the questions of law and fact common to all class members predominate over questions affecting only individual members because the Blu Defendants employed the same general scheme to induce African-Americans with modest financial resources to purchase "investment" properties they could not afford. All or virtually all of the Class Plaintiffs eventually defaulted on their mortgage payments due to misrepresentations made by the Defendants, and most or all of the Plaintiffs are in foreclosure or have had foreclosure judgments entered against them. It is on this basis that the Class asserts claims for violations of the New Jersey Consumer Fraud Act, common law fraud, fraudulent misrepresentation, negligent misrepresentation, and attorney malpractice.

20. Class litigation is superior to other available methods for the fair and efficient adjudication of the controversy because the Plaintiff Class consists of numerous individuals with modest financial resources. Unlike Defendants, who have profited substantially from their fraudulent practices and exploitation of Class Plaintiffs, members of the Class cannot afford to litigate this lawsuit on their own and will most likely be unable to redress their economic losses without the benefits of the class form.

21. Additionally, Defendants have more bargaining power. For example, upon information and belief, Defendants routinely seek to end or avoid litigation arising out of their

predatory lending and property-flipping scheme through unfair settlement proposals, offering Class members, who are not represented by counsel, unreasonable settlement agreements that provide no adequate remedy for the damages incurred. Thus, class litigation is superior to other methods of adjudication because it will limit Defendants' ability to take advantage of vulnerable, unsophisticated class members.

22. This action is manageable as a class action because the vast majority of the potential Class Plaintiffs reside in New Jersey, virtually all real estate transactions, on information and belief, took place in Essex County, New Jersey, and the Class claims will be governed by New Jersey law.

### **FACTUAL ALLEGATIONS**

#### **Defendants' General Course of Conduct**

23. This matter involves a complex predatory lending and property flipping scheme, crafted and employed by Defendants to intentionally mislead and deceive members of the Plaintiff Class to enter into unreasonable and inequitable real estate transactions. After purchasing properties at below market prices – frequently at foreclosure sales or auctions – the Blu Defendants typically promised potential purchasers that they would completely renovate and repair each property in order to rent it and ultimately resell it at a higher price. Many of those promised repairs and renovations were never done, and those that were completed were often deficient.

24. The high prices at which the Class Plaintiffs purchased the properties were the result of fraudulent appraisals that the Blu Defendants obtained on each property unbeknownst to the Plaintiffs. These Defendants also arranged for brokers to prepare loan applications on behalf of the Plaintiffs containing false information regarding the Plaintiffs' income, assets,



race, and/or gender. This false information combined with the Plaintiffs' high credit scores facilitated approval of financing from mortgage lenders. As a result, Plaintiffs acquired debt far in excess of what they needed to purchase the properties at market rates and far exceeding their ability to repay.

25. These transactions were often further facilitated by fraudulent downpayments presented at closing, including checks offered by Blu, not by the buyer, and supposed downpayment checks that were ripped up by Blu agents after the closing. On certain occasions, Blu representatives requested purchasers to write a personal check for a downpayment, further informing the purchasers not to worry if they had insufficient funds in their account, since the check was only for "show" and would be ripped up after it was copied.

26. Most Plaintiffs fell into default, forcing many of them into foreclosure and severely impairing their credit. Knowing of this and/or intending it to happen, the Blu Defendants sometimes repurchased the foreclosed upon properties at a low price and attempted to resell them at an inflated price to additional purchasers targeted according to the same criteria: their race, good credit, and lack of financial sophistication. Defendants profited significantly from this scheme, while members of the Plaintiff Class suffered severe financial hardship.

#### Organization of Blu Defendants' Business

27. Blu Financial markets itself among local residents as a community-based company that helps interested buyers purchase homes in the greater Newark, New Jersey area. Additionally, Born Asiatic and Greenfield Asset Holdings are entities closely affiliated with Blu Financial, which engage in similar activities.

28. On information and belief, Defendant Maurice Bethea is President of Blu Financial, Born, and Greenfield.

29. On information and belief, Born and Greenfield are not in compliance with New Jersey state business code standards and have both lost their corporate status for failure to file annual reports for two consecutive years. On information and belief, both Born and Greenfield conducted business with Class Plaintiffs after suspension of their corporate status.

30. On information and belief, no member of Blu Financial, Born, or Greenfield is or was ever a licensed real estate broker or agent.

*Blu's Sales Pitch*

31. Blu Financial, Bethea, and/or his agents solicited residents of Newark, New Jersey as "customers," by relying heavily on "word of mouth" to target certain African-American communities.

32. Defendants utilized newly-obtained customers, who were as-yet unaware of Defendants' scheme, as "runners" to promote Blu Financial and recruit new purchasers. Bethea or an agent then approached these potential buyers.

33. Once in contact, the Blu Defendants began pressuring the potential buyers to invest with Blu Financial. Defendants frequently called Class Plaintiffs, and visited their homes.

34. The Blu Defendants crafted their sales pitch to take advantage of those who were unfamiliar with the process of purchasing and financing real estate. Defendants Bethea and/or agents/representatives of Blu Financial specifically targeted African-American, low to moderate-income individuals.

35. Prior to their investments with Blu Financial, the Class Plaintiffs were in good financial standing, had high credit scores, and were financially responsible. The Blu Defendants specifically targeted and coveted those with high credit scores so that the buyers could obtain full financing to pay Defendants the inflated sale prices.

36. The Blu Defendants, who are African-Americans, professed their racial loyalties to members of the Plaintiff Class to generate unwarranted trust and reliance on false and misleading representations repeatedly utilized by these Defendants during their sales scheme.

37. Defendants Bethea and/or agents or representatives of Blu Financial would then pressure Class Plaintiffs to purchase residential properties from Blu Financial as investments in the greater Newark area—whether or not the Plaintiffs originally planned to purchase a multi-family investment property or merely intended to buy a single-family home to live in.

38. The Blu Defendants presented the properties as “can’t miss” investment opportunities. Class Plaintiffs were not sophisticated purchasers looking to turn quick profits, but merely low and moderate-income people coerced into making what seemed to be an investment for their future. For example, one purchaser was a school teacher in her twenties merely looking to purchase a home in which to live. Bethea convinced her to participate in his scheme by assuring her that she could both find a place to live now and, with the extra income she would receive from purchasing an investment property, provide for her future.

39. Defendant Bethea and/or agents/representatives of Blu Financial required Class Plaintiffs to pay a one-time “investment portfolio” or “franchise” fee, which purportedly enabled Class Plaintiffs to access investment property opportunities and various other Blu Financial “privileges,” such as not having to pay legal fees or down payments during the

closings. These investment fees varied in amount, but typically ranged from \$10,000 to \$25,000.

40. In order to entice the buyers further, the Blu Defendants also promised that Plaintiffs did not have to worry about any of the details surrounding the purchase of the home because Blu would take care of everything; Bethea emphasized that Plaintiffs did not need to retain their own lawyers and only had to appear at the closing.

41. The pitch contained numerous promises that the Blu Defendants knew they could not keep and, thus, never intended to keep. These promises included, but were not limited to:

- a. Ensuring Plaintiffs that each property had existing tenants or that Blu would secure them shortly after purchase when in fact many of the properties lacked tenants and Blu failed to secure them for the buyers;
- b. Falsely maintaining that Class Plaintiffs would receive rental income in excess of their monthly mortgage payments, when, in fact, Newark-area market-rate rentals were far less than what was promised. Because most Plaintiffs did not live in Newark and were unfamiliar with rental prices, they reasonably relied on Blu Financial's misrepresentations.
- c. In instances where units in the properties were unoccupied, misrepresenting to the Class Plaintiffs that Blu would make the mortgage payments until tenants were secured. The Blu Defendants either failed to make the promised mortgage payments or only did so for a few months, leaving the Plaintiffs in a deficit with respect to their monthly mortgage debt.

- d. Misrepresenting that they would make necessary repairs to the properties after purchase and then failing to complete renovations and repairs or to adequately address defects.
- e. Falsely claiming that the Class Plaintiffs would be able to sell the properties within a year or two at fair market value and gain a substantial profit. The Blu Defendants frequently falsely claimed that tenants in the buildings were planning on purchasing the properties once they improved their credit. Plaintiffs were not able to sell their property at a substantial profit because they purchased them from Blu at inflated prices and because the tenants were either uninterested or unable to purchase the properties.

*Fraudulent Real Estate, Loan, and Mortgage Transactions*

42. After Class Plaintiffs paid their "investment portfolio" fee and agreed to purchase properties from Blu Financial, Bethea and/or his agents had little contact with Class Plaintiffs until the day before the closing.

43. The Blu Defendants typically picked a mortgage broker to arrange financing for the purchasers. The broker normally prepared a loan application, inflating the purchaser's income and listing other false information about the buyer to obtain mortgages that exceeded the purchasers' ability to repay and frequently exceeded the fair market value of the property. These applications were then used to obtain a large first mortgage, as well as a second "piggyback" mortgages, to finance the purchase of the property.

44. The purchasers were not required to submit down-payments in order to close on the properties, nor did they pay any fees or costs other than their initial payment to Blu Financial.

45. Because of the Class Plaintiffs' good credit scores, many were approved for one-hundred percent financing and, thus, were not required to pay a down payment. In cases where the lenders required a down payment to Blu Financial, Born, or Greenfield, the Blu Defendants would produce a check drawn on one of their own accounts. On information and belief, once copies of these checks were included in the loan documents in an attempt to show payment, Defendants ripped up the actual check and did not deposit it. Nonetheless, Defendant Roy completed the closings.

46. Fraudulent appraisals of the properties that grossly overestimated the value of the buildings were never disclosed to the would-be purchasers at closing. The appraisals allowed Defendants to sell the property to purchasers at prices well above the price at which Blu or its affiliated entities had acquired the building and thus, to yield a substantial profit.

47. The fraudulent appraisals also served to artificially increase the property values of buildings in the same neighborhood, given that legitimate appraisals are, in part, based on recent sales of similar buildings in the area. Since many of Blu Financial's buildings were in the same vicinity, the faulty appraisal of one building affected Blu's future sales.

48. For example, in a building in East Orange in which Blu Financial attempted to flip a condominium, a Blu Financial agent told a member of the condo board that he was attempting to set a new "comp" value for units in the building.

49. The Blu Defendants rarely permitted Class Plaintiffs an opportunity to see the properties before closing. If a buyer insisted, they allowed a quick visit, but always conducted it in a rushed and hurried manner. In most cases, Class members never saw the properties until after they purchased them.

50. Defendants always contacted Class members one day prior to a scheduled closing to inform them that their presence at the closing was required.

51. Ensuring that Class Plaintiffs were not represented by their own attorney during the closings was crucial to Blu's scheme. Thus, although Class Plaintiffs had little experience with real estate transactions, Defendants Bethea and/or agents/representatives of Blu Financial told the Class Plaintiffs that retaining their own attorneys was not necessary and that an attorney would be present the day of the closing. Plaintiffs were told that the attorney would answer any questions they might have.

52. Closings typically took place, in a hurried manner, sometimes at night. The parties present at a closing usually included the buyer, Defendant Daniel Roy, Rayford Mark, an employee of Blu, and one or two other Blu Financial agents/representatives.

53. Defendants Bethea and/or agents/representatives of Blu Financial informed Class Plaintiffs that all legal costs would be covered by their "investment portfolio" fees. Defendants never disclosed that the only attorney present, Defendant Roy, was not protecting Plaintiffs' interests and was not hired for their benefit.

54. Upon meeting Class Plaintiffs, Defendant Roy sometimes presented himself as a "closing agent." Nevertheless, Class Plaintiffs reasonably believed that Roy was their attorney during the closings because Defendants Bethea and/or agents/representatives of Blu Financial introduced Roy as an attorney, and, prior to the closing, informed Class Plaintiffs that they would be provided with a lawyer.

55. Bethea perpetuated the misrepresentation that Roy was acting in Plaintiffs' best interests by repeatedly assuring Class Plaintiffs that their interests were protected and that their counsel fees were covered. Bethea made these assurances as part of his "sales pitch" to

encourage Plaintiffs to pay the “investment portfolio” fee, and reiterated these misrepresentations immediately prior to the closings.

56. Defendant Roy did nothing to correct Defendant Bethea’s misrepresentations regarding his role in the closings. He never advised Class Plaintiffs to retain their own counsel, nor did he explain that he was not acting as their attorney. Class Plaintiffs thus reasonably believed that Defendant Roy was representing their interests and Roy encouraged this belief. Instead of disclosing that he represented Blu Financial’s interests, Roy concealed his relationship with Bethea and Blu Financial.

57. Nor did Defendant Roy actually further the buyers’ interests. For example, he frequently made no effort to ensure that the properties were not encumbered, which a buyer’s attorney normally would do. For instance, Roy did not inform one buyer that there was a tax lien on the property, even though that information was readily available in the closing documents.

58. Upon information and belief, Defendant Roy was aware of Bethea’s property-flipping scheme and knowingly participated in it by acting as Blu Financial’s legal counsel during the closings.

59. To facilitate the closings, Defendants repeatedly misrepresented the nature and importance of the closing documents.

60. Defendant Roy advised Class Plaintiffs not to read any of the documents, explaining that all they needed to do was sign.

61. Class Plaintiffs reasonably believed that Roy had carefully reviewed all of the closing documents. Plaintiffs reasonably relied on Defendant Roy’s advice to sign because he always assured them that everything was “taken care of.”



62. Defendants collectively misinformed Class Plaintiffs that they did not need specific information and documentation about their purchases. Whenever Class Plaintiffs requested information about the closing process, the loan, or the homes, the Defendants suggested that the information was irrelevant and reassured Class Plaintiffs that they were acting in Class Plaintiffs' best interests. For example, the mortgages obtained by the brokers typically contained unfavorable terms, such as high fees, balloon payments and adjustable rates that were due to reset within two years, ensuring that the purchasers would soon fall into default and foreclosure. Because they were discouraged from securing their own counsel to review the closing documents, Plaintiffs were not aware that these terms were part of the loan, nor did they understand how they functioned.

63. Defendants denied Class Plaintiffs pertinent information about the property and purchase and/or dismissed it as irrelevant or unimportant, including but not limited to, the following:

- a. the closing price of the property;
- b. the amount for which Blu Financial had previously purchased the property;
- c. the fair rental value of the property;
- d. the amount of the mortgages acquired to finance the purchase;
- e. the specific details of the mortgages and any information submitted by

Defendants in the loan documents, including the false information submitted by Defendants on mortgage loan applications regarding Class Plaintiffs' race, gender, marital status, assets and/or yearly income;

- f. copies of the closing documents. If a Class Plaintiff insisted on having his or her own copies, the documents were sent to them weeks after the closing took place.

64. In addition, Defendants either withheld from Class Plaintiffs, or misrepresented, numerous facts relevant to the properties and Blu Financial's, Born's, and Greenfield's involvement with them. These facts included, but were not limited to:

- a. Blu's (or another of the Bethea entity's) purchase of the properties less than one year prior to the sale of the properties to Class Plaintiffs;
- b. Defendants' purchase of the properties for, on average, tens of thousands of dollars less than the amount for which they resold them to Class Plaintiffs;
- c. the fraudulently appraised value of the properties that significantly exceeded their fair market value;
- d. the vast majority of the properties sold to Class members were never inspected by housing inspectors and did not have Certificates of Occupancy.

65. Through the use of this fraudulent scheme, Defendants sold each Class member at least one property. Many Class Plaintiffs, however, purchased more than one property from Defendant Blu Financial and in some instances, as many as ten properties.

66. The Blu Defendants lured Plaintiffs into the scheme one building at a time. When Plaintiffs were unable to keep up with the mortgage payments on one property, Bethea and/or his representatives induced Plaintiffs to buy additional buildings with promises of generating more rental income and "helping them out" with their financial problems.

Post-Closing Events and Foreclosure

67. After the closings, Defendants Bethea and/or agents/representatives of Blu Financial failed to provide many of the “privileges” promised to Class Plaintiffs, including guarantees made about the tenants and the collection and payment of rent. These failures included, but were not limited to:

- a. the failure to recruit viable tenants for the properties. Although Defendants secured some tenants, many were unable to afford market rents. In addition, Defendants Bethea and/or agents/representatives of Blu Financial sometimes positioned agents, friends, and relatives of Blu Financial in the buildings as tenants. In many cases, these tenants would not pay rent;
- b. failure to generate sufficient rental income to cover the monthly mortgage payments;
- c. failure to manage the properties and collect rents on behalf of Class Plaintiffs in instances where Blu representatives promised to do so;
- d. failure to obtain Class Plaintiffs’ consent before granting tenants access and permission to live at the properties. As a result, Class members often lacked knowledge of who was living in their properties and many tenants did not know who their landlord was. In some cases, four or five different people held themselves out to tenants as their landlord. For example, one tenant in a property sold to a Class Plaintiff by Blu Financial—a single mother putting herself through medical school—never definitively knew who her landlord was. In her time living in the building, three different people claimed to be her

landlord. On account of the confusion, she began paying her rent directly to Blu Financial. She also noted the constant movement of residents.

- e. The frequent failure to give Class Plaintiffs keys to the residences, even though they were the owners.

68. Class Plaintiffs attempted to keep up with their monthly mortgage expenses for as long as they could by expending their own money to make up the difference between the negligible amount of rent collected and the amount of the mortgage payment, but eventually, virtually all purchasers defaulted on their payments.

69. On information and belief, none of the tenants ever purchased any of the Class members' properties. Because the properties were substantially overpriced, tenants either lacked the interest or the financial resources to do so. Contrary to their earlier promises, none of the Defendants helped Class members find potential buyers.

70. Consequently, most of the Class Plaintiffs have been unable to sell their properties.

71. As a result of Defendants' repeated misrepresentations and fraudulent conduct, most of the properties bought by Class members went into foreclosure less than one year after Class Plaintiffs purchased them, and some of the Class Members were forced to declare bankruptcy.

72. On account of the fraudulent mortgage applications and artificially inflated property values orchestrated by Bethea and/or his agents, Defendants knew, or reasonably should have known, that foreclosure was likely to occur.

73. Upon information and belief, the Blu Defendants frequently profited from Class Plaintiffs' default because Blu Financial, Born, or Greenfield bought back foreclosed

properties. For example, according to New Jersey County Tax Assessor Board records, Born purchased 104 South Thirteenth Street, Newark, NJ 07107 for \$29,000 on December 11, 2001. Born then sold this property to another Class Plaintiff on September 26, 2003 for \$140,000. After foreclosure on the property, Blu Financial reacquired the property for \$130,000 on November 16, 2005 and resold it to a different client on May 11, 2006 for \$241,000.

74. On information and belief, in order to justify the increase in sales prices, once Defendants learned that a property they sold was vacant or on the verge of foreclosure, Bethea and/or his agents frequently entered the property and removed the fixtures, water heaters, and destroyed some of the drywall. Once the Blu Defendants repurchased the property, often through a foreclosure sale, they reinstalled the removed parts, repaired the drywall, and claimed the house had been renovated. They then resold the property to a new Plaintiff at a higher price.

75. Defendants' scheme was carefully crafted and designed so that the Class Plaintiffs bore all of the risk and loss and the Defendants received all the profits.

**Representative Plaintiff—Melvin Gibson ("Mr. Gibson")**

76. Melvin Gibson currently resides at 151 Bergen Avenue in Jersey City, New Jersey 07305.

77. Mr. Gibson is a middle-aged, African-American father of three, who is employed as a truck and trailer driver for Triangle New Deal Logistics, an East Coast freight carrier. He has worked as a truck driver for over 30 years and his work requires him to travel away from home on a regular basis. Currently Mr. Gibson works as a supply driver for disaster-relief efforts. His work requires him to depart in emergencies to a wide range of destinations at a moment's notice.

78. At the beginning of the summer of 2005, Mr. Gibson had a credit score approximately in the 720's.

79. Shortly before August of 2005, Mr. Gibson learned of Blu Financial through a friend, Dennis Martin, who had previously purchased real estate through Maurice Bethea and Blu Financial. In light of the growing cost of trucking and the personal toll of frequent long-distance travel, Mr. Gibson was interested in retiring from the trucking business. He hoped to buy a home where he could earn an income as a landlord, so that he could finally retire as a trucker.

80. When Mr. Gibson first met with Defendants Bethea and/or agents/representatives of Blu Financial, they encouraged him to become a purchaser with Blu Financial, promising to "get him out of that truck" and to find him two investment properties that would enable him to retire.

81. During or around August of 2005, Mr. Gibson paid an initial, mandatory investment fee of \$10,000—which Maurice Bethea described as a "franchise" fee—to Blu Financial to gain access to investment properties and Blu Financial's services.

82. Between August and November 2005, Mr. Gibson purchased four properties—which Blu claimed were renovated buildings—from Defendants Blu Financial and Born Asiatic. Mr. Gibson purchased all four homes with 100% financing and no downpayment.

83. At first, Mr. Gibson was only interested in purchasing two properties. When the first two properties did not immediately generate the rental income promised by Blu, representatives of Blu convinced Mr. Gibson to purchase two additional properties. Blu claimed that these additional properties "would pay for the first houses" and would ensure that Gibson would start to make money.

84. Because he purchased the four properties in rapid succession, Mr. Gibson did not realize the extent of the problems with his existing properties at the time he purchased the subsequent properties.

85. Defendants Bethea and/or agents/representatives of Blu Financial and Born repeatedly assured him that they would handle all paperwork and any issues regarding the real estate purchases for him, as well as property management, including cutting the grass and snow removal. Because Mr. Gibson's occupation required him to be away a majority of the time, Gibson reasonably relied on the Defendants' assurances to look out for his interests while he was away on trucking assignments.

86. Although Mr. Gibson was told by the Blu Defendants prior to his purchase of the properties in approximately August of 2005 that the properties were being renovated and that all repairs would be completed prior to the tenants moving into the properties, they failed to keep that promise. Several of the properties had unfinished basements with exposed wires and regular flooding problems.

87. Defendants Bethea and/or agents/representatives of Blu Financial also promised Mr. Gibson that they would find tenants to rent all of the residential units located on the properties, but they failed to find sufficient tenants for the units.

88. Defendants Bethea and/or agents/representatives of Blu Financial falsely represented to Mr. Gibson that rental income from the properties he purchased would at least cover the monthly mortgage expenses. In reality, Mr. Gibson never received nearly enough rental income to cover his excessive mortgage debt, and as a result, he fell into default.

89. Prior to Mr. Gibson's purchases, the Blu Defendants made vague representations to Gibson about responsibility for tenant management, never specifying exactly who would collect rents and how he would receive the rental income.

90. In one instance, Gibson collected rent directly from a tenant; in other instances, Blu secured tenants for the property without Mr. Gibson's knowledge or consent and without specifying how he would receive the rental income.

91. Mr. Gibson often went to Blu Financial's offices to obtain his rental income from those tenants, but waited several hours for a Blu Representative to speak with him and pass on his rental income. In several instances, Mr. Gibson left the office without receiving any answers or rental money.

92. On one occasion, while Mr. Gibson was waiting in the offices of Blu Financial to obtain his rental income, he overheard a Blu employee state "I'm going to buy myself a brand new motorcycle, and I know exactly how to do it, 51 Normandy, we collect rent over there." The employee, who may not have known who Mr. Gibson was or realize he was within hearing distance, was referring to a property owned by Mr. Gibson

93. Defendants Bethea and/or agents/representatives of Blu Financial also failed to carry through on their promises to Mr. Gibson to manage the properties. Mr. Gibson expended his own money and efforts on snow removal and cutting the grass at the properties, and even repaired the roof on one building. On two occasions, Mr. Gibson was assessed fines because of a lack of snow removal and trash collection at his properties. He paid the fines out of his own pocket, in spite of Blu's promise to serve as the property manager.

94. Defendants Bethea and/or agents/representatives of Blu Financial promised Mr. Gibson that all of the properties would sell within a year or two for a profit and he would



become “rich.” Defendants asserted that some of the properties were occupied by tenants as “leases to own” and that those tenants already had loans approved and just needed time before buying the properties from Gibson. In reality, Mr. Gibson was never able to sell the properties—even at an amount to cover his mortgage debt—because Defendants had substantially inflated their value.

95. Additionally, Defendants Bethea and/or agents/ representatives of Blu Financial further promised that if Mr. Gibson was unable to sell the properties, Blu Financial would assist him in finding either new tenants or buyers, but they failed to do so.

Mr. Gibson's participation in the closing process

96. Each time Mr. Gibson was to close on a property, Blu Financial only gave him one day's notice prior to the closing date.

97. At the closings, Mr. Gibson was unrepresented by an independent attorney, but several Blu Financial representatives attended, including closing attorney Daniel Roy and a woman described to Mr. Gibson as a “paper lady.”

98. At no time during the closings did Defendants Bethea and/or agents/ representatives of Blu Financial inform Mr. Gibson of the purchase price of the properties.

99. Defendants repeatedly promised Mr. Gibson throughout the closing that they would “handle everything for him,” that “everything would work out fine,” and that they only needed him to sign documents.

100. According to Mr. Gibson, the closings were conducted in a “rushed” manner during the evening hours. Mr. Gibson did not have a sufficient opportunity to read any of the documents, nor did Defendants or any of the attendees present at the meeting explain them to him.

101. After closing, Defendants Bethea and/or agents/representatives of Blu Financial failed to give Mr. Gibson keys to any of the residential units on the four properties.

102. Mr. Gibson made frequent visits to the Blu Financial office and requested keys to the units, but the Blu Defendants denied all of his requests.

103. At no time did Defendants Bethea and/or agents/representatives of Blu Financial provide Mr. Gibson with a certificate of occupancy for any of the four properties he purchased.

514 & 516 S. 16<sup>th</sup> St., Newark, NJ 07103

104. Mr. Gibson purchased 514-516 S. 16th St, Newark, NJ 07103 on August 10, 2005 from Born Asiatic for \$366,000 and the deed was recorded on September 9, 2005. See Exhibit A (514-516 S. 16<sup>th</sup> Deed).

105. This property was an illegal three family house with a converted apartment in the attic. Mr. Gibson was not made aware of the illegality.

106. At the time of purchase, this property was not occupied by tenants. Neither Blu Financial nor Born Asiatic ever informed Mr. Gibson of this fact. Although a tenant lived at the property at some point after Mr. Gibson purchased it, Blu Financial never timely informed Mr. Gibson when the tenant moved into this property.

107. Contrary to Defendants' promises, the rental proceeds from this property did not cover Mr. Gibson's monthly mortgage payments.

108. Mr. Gibson was forced to pay the difference between the amount of rent he collected and the monthly mortgage from his personal savings.

109. Defendants Bethea and/or agents/representatives of Blu Financial and Born Asiatic repeatedly ignored Mr. Gibson's requests for assistance in selling the property.

110. After Mr. Gibson fell behind in making the monthly mortgage payments in 2006, this property went into foreclosure.

111. Mr. Gibson discovered a number of suspect practices in the rental payment process for the 516 S.16th St. property. For instance, a rent check dated December 21, 2006 and totaling \$3,000.00 from a tenant living at 516 S.16th St. was paid to the order of "Melvin Gibson/Blu-Financial Grp." See Exhibit B (Rent check).

112. The check was endorsed to an unidentifiable account number (not Mr. Gibson's) through a forgery not matching Mr. Gibson's authentic signature.

113. A rent check dated October 15, 2006 and totaling \$3,000 from a tenant living at the 516 S.16th address was paid to the order of Melvin Gibson. This check was not turned over to Gibson. See Exhibit C (Rent check).

114. The check was endorsed to an unidentifiable account number (not Mr. Gibson's) through a forgery not matching Mr. Gibson's authentic signature.

15 Tichenor Terrace, Irvington, NJ 07111

115. Only five days after purchasing his first Blu property, and unaware of any problems with it, Mr. Gibson purchased a second property, 15 Tichenor Terrace, Irvington, NJ 07111 on August 15, 2005, and the deed was recorded on September 15, 2005.

116. This property was a two family house.

117. At the time of purchase, there were no tenants living in the property, but Blu promised to secure them for Mr. Gibson. At some point, Blu secured a tenant in one unit of the building whom it charged approximately \$700 per month in rent, leaving Mr. Gibson to pay the remainder of the monthly \$1600 mortgage payment out of his own pocket. This tenant only

remained in the building for six to eight months. At one point, she told Mr. Gibson that she worked for Blu Financial.

118. After Mr. Gibson fell behind in making the monthly mortgage payments in 2006, this property went into foreclosure.

Property located at 51 Normandy Place, Irvington, NJ 07111

119. Defendants Bethea and/or agents/representatives of Blu Financial recommended to Mr. Gibson that pursuing another investment could help compensate for the lack of income generated from the properties located at 514 & 516 S. 16th St and 15 Tichenor Terrace.

120. Mr. Gibson purchased the 51 Normandy Place, Irvington, NJ 07111 property on October 9, 2005 for \$240,000 from Blu Financial, and the deed was recorded October 16, 2005. See Exhibit D (51 Normandy Place Deed).

121. This property was a single family house.

122. Two to three months after Mr. Gibson purchased the property, Blu secured a tenant. Even though the tenant only ever paid the security deposit and one month's rent, he and his family continued to live there for nearly a year. Mr. Gibson was forced to pay the monthly mortgage out of his personal savings.

123. After Mr. Gibson depleted his own savings while attempting to keep his monthly mortgage payments current, this property went into foreclosure in 2006.

Property located at 221 Maple Avenue, Irvington, NJ 07111

124. Defendants Bethea and/or agents/representatives of Blu Financial recommended to Mr. Gibson that pursuing yet another investment property could help compensate for the lack of income generated from the properties located at 514 & 516 S. 16th St., 15 Tichenor Terrace and 51 Normandy Place. Desperate to have his investment work out and not result in a

financial setback, Gibson was vulnerable to the Blu Defendants' pitch that this property would help him pay for the others and allow him to finally start making money.

125. Mr. Gibson was repeatedly assured by Defendants Bethea and/or agents/representatives of Blu Financial that this property would be a reliable investment.

126. Mr. Gibson purchased his final property, located a single family home at 221 Maple Avenue, Irvington, NJ 07111, on November 4, 2005 for \$240,000, and received financing from Infinity Home Mortgage. The deed was recorded on November 9, 2005. See Exhibit E (221 Maple Avenue Deed).

127. The mortgage broker working with Blu and Born on this transaction was Carlos Jambrina of Infinity Home Mortgage Company. Jambrina and Infinity regularly did business with the Blu Defendants around the time of the Gibson transactions.

128. Jambrina had a practice of submitting false information about borrowers and properties on loan applications. For instance, the mortgage loan application that Jambrina submitted on Gibson's behalf for this property stated that Gibson was a "white male," when Gibson actually is African-American. See Exhibit F (Fraudulent loan application).

129. Prior to his purchase of the property, a representative of Blu Financial told Mr. Gibson that a tenant was occupying the property as a "lease to own." Mr. Gibson later learned that the tenant Blu secured for this property was only paying \$821 per month and was receiving section 8 housing assistance.

130. Mr. Gibson paid the balance of the \$1900 per month mortgage out of his personal savings. He confronted Blu representatives and asked them how a section 8 recipient was going to be able to purchase the house. The Blu agents responded that they "would see what they could do," but they never secured another buyer.

131. After Mr. Gibson fell behind in making the monthly mortgage payments in 2006, this property went into foreclosure.

Mr. Gibson's Inevitable Default

132. Mr. Gibson put approximately \$140,000 of his own money into the four properties in an attempt to protect his good credit rating.

133. Mr. Gibson did not see the interiors of three of the properties until after he purchased them.

134. Upon seeing the properties in person, Mr. Gibson observed that Blu had not finished the renovations that were promised prior to purchase.

135. None of the four properties was ever inspected and none had certificates of occupancy.

136. Contrary to earlier promises, Blu Financial failed to help Mr. Gibson find sufficient tenants or any buyers for his properties.

137. Once Mr. Gibson realized several months after his purchases that his investments were in trouble he attempted to sell the properties on his own without Blu Financial's "assistance," but was unsuccessful.

138. After consulting with a real estate broker, Mr. Gibson quickly learned that the properties he had purchased were substantially overpriced.

139. Because Mr. Gibson could no longer keep up with the monthly mortgage payments, all four of the properties went into foreclosure in 2006.

140. Mr. Gibson did not learn about the foreclosures in a timely manner because mail related to the mortgages was sent to each property, rather than to Mr. Gibson directly.

141. In 2006, after all four of his properties were foreclosed upon, Mr. Gibson filed for Chapter 13 Bankruptcy.

### **CAUSES OF ACTION**

**First Cause of Action: Defendants' Violation  
of New Jersey's Consumer Fraud Act, N.J.S.A. 56:8-2**  
**[Against Defendants Bethea, Blu Financial, Born Asiatic and  
Greenfield Asset Holdings ]**

142. Class Plaintiffs repeat and reallege the allegations contained in paragraph 1 through 142 as if fully set forth herein.

143. The Blu Defendants employed unconscionable commercial practices, engaged in deception and fraud, and made false promises and misrepresentations in connection with the marketing and sale of real estate to Class Plaintiffs, which includes, but is not limited to, the following conduct:

- a. Misrepresenting the fair market value and purchase price of the properties purchased by Class Plaintiffs;
- b. Arranging for brokers to submit false information on loan documents in order to secure mortgages for which Class Plaintiffs would not have otherwise qualified;
- c. Misrepresenting Class Plaintiffs' personal information, including income, race, and/or gender, on loan applications to increase the amount of loan financing extended to Class Plaintiffs;
- d. Misrepresenting to Class Plaintiffs the amount of rental income that could reasonably be generated from the properties;

- e. Misrepresenting to Class Plaintiffs the likelihood that their mortgage expenses could be satisfied by rental income;
- f. Failing to renovate Class Plaintiffs' properties as promised;
- g. Failing to inspect or provide Class Plaintiffs with certificates of occupancy for the properties;
- h. Misrepresenting the likelihood that Class Plaintiffs would be able to sell the properties within a year at a substantial profit when Defendants knew they had sold the properties to the Class Plaintiffs at inflated prices;
- i. Falsely representing that Defendants already knew of a potential purchaser or would locate a purchaser at the appropriate time; and
- j. Misrepresenting that Class Plaintiffs did not need to retain an attorney at closings, and the importance and/or meaning of various closing documents.

144. The above stated representations and promises were untrue, deceptive, and false because:

- a. The properties were sold to Class Plaintiffs for amounts greatly exceeding their fair market value, which resulted in Defendants reaping a substantial profit;
- b. Since the buildings were fraudulently overpriced and false information on loan documents allowed for unqualified mortgages, monthly rental income was never enough to pay for the mortgages;
- c. Defendants never completed the promised repairs to the properties;
- d. Class Plaintiffs never received certificates of occupancy in violation of the Uniform Construction Code Certificate Requirements (N.J.A.C. 5:23-2.23);



- e. Class Plaintiffs became responsible for excessive loans obligations, for which they would not have been approved without Defendants' misrepresentations;
- f. On account of the superficially inflated prices, the Class members could not sell their properties, except at a substantial loss while retaining significant mortgage debt;
- g. Defendants never planned to secure subsequent purchasers for Class Plaintiffs, nor had they pre-identified potential viable purchasers;
- h. Class Plaintiffs had no adequate legal representation at any of the real estate closings and were almost entirely uninformed of the significance of the documents they were induced to sign.

145. Each misrepresentation, deception, and false promise made by each Defendant constitutes a separate and distinct violation of N.J.S.A. 56:8-2.

146. Defendants also knowingly concealed, suppressed, or omitted material facts in connection with the marketing and sale of real estate to Class Plaintiffs with the intent to deceive or induce reliance by engaging in the following behavior:

- a. Intentionally failing to disclose to Class Plaintiffs the fair market value of the property at the time of purchase;
- b. Intentionally withholding from Class Plaintiffs the amount for which the Defendants purchased the properties prior to selling them to Class Plaintiffs; and
- c. Intentionally failing to disclose to Class Plaintiffs the unfavorable and onerous terms of the mortgages secured by Defendants.

147. Each of the previously described knowing omissions made by Defendants constitutes a separate and distinct violation of N.J.S.A. 56:8-2.

**WHEREFORE**, Class Plaintiffs demand judgment on this count against Defendants for:

- a. Treble damages;
- b. Attorney's fees and costs of suit;
- c. A refund of "all moneys" acquired by means of an unlawful practice under the Consumer Fraud Act. N.J.S.A. 56:8-2.11.
- d. Such other relief as the Court deems just, equitable, and appropriate.

**Second Cause of Action**  
**Common Law Fraud/Fraudulent Misrepresentation**  
**[Against Defendants Bethea, Blu Financial, Born Asiatic and**  
**Greenfield Asset Holdings]**

148. Class Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 148 as if fully set forth herein.

149. The Blu Defendants made the following false representations of fact to Class Plaintiffs:

- a. that Class Plaintiffs would be able to meet their monthly mortgage payments entirely from rental income;
- b. that the purchase price of the property reflected the fair market value of the property;
- c. that the purchase price of the property, the price at which Defendants acquired the property, the implications of various closing documents, and the amount of the mortgage loans were not material to the purchase and sale transactions;
- d. that Class Plaintiffs would be able to sell the properties within a year at a significant profit; and

- e. that Defendants would help Class Plaintiffs sell their properties to viable purchasers;

150. The Blu Defendants' knowledge that the aforementioned representations were false is demonstrated by the following:

- a. Defendants knew the reasonable rental values because they had substantial experience with renting apartments in the area;
- b. Defendants knew the amount of the monthly mortgage payments because they had assisted with securing the financing;
- c. Because Defendants knew that they sold Class Plaintiffs the properties at an inflated price, they knew it would be impossible for Class Plaintiffs to resell the properties at a profit;
- d. Defendants knew that the tenants had insufficient economic resources to purchase the properties because many of the tenants received Section 8 government assistance and other tenants had serious credit problems;
- e. Defendants knew that the fair market values were far less than the purchase-prices of the properties because they intentionally obtained fraudulent appraisals;
- f. Defendants' business primarily involved real estate transactions, and, therefore, Defendants were aware of the nature of the financial and legal obligations Class Plaintiffs assumed when they purchased real estate, including but not limited to the consequences of foreclosure.

151. The Blu Defendants intended to induce Class Plaintiffs to rely on the aforementioned misrepresentations because Defendants earned a substantial financial profit

from the repeated employment of this complex predatory lending scheme. Class Plaintiffs' reliance on these misrepresentations was to their detriment because:

- a. Class Plaintiffs purchased drastically over-valued properties from Defendants based on the fraudulent appraisal of the properties;
- b. Class Plaintiffs could not afford the monthly mortgage payments on these properties because of the false loan information supplied by Defendants.
- c. Defendants' actions resulted in Plaintiffs suffering foreclosure and other financial losses.

**WHEREFORE**, Class Plaintiffs demand judgment against these Defendants for:

- a. Actual, consequential, and punitive damages resulting from Defendants' misrepresentations;
- b. Other relief as the Court deems just .

**Third Cause of Action—**  
**Negligent Misrepresentation**  
**[Against All Defendants]**

152. Class Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 152 as if fully set forth herein.

153. Defendants Bethea, Blu Financial, Born Asiatic and Greenfield Asset Holdings made the following false representations of fact to Class Plaintiffs:

- a. The Blu Defendants misrepresented to Class Plaintiffs that they would be able to make monthly mortgage payments entirely from rental income collected from tenants;
- b. The Blu Defendants misrepresented to Class Plaintiffs that the purchase price of the property reflected the fair market value of the property;

- c. The Blu Defendants misrepresented the importance of certain closing information, including the purchase price of the property, the price at which Defendants acquired the property; the implications of various closing documents, and the amount of the mortgage loans;
- d. The Blu Defendants misrepresented to Class Plaintiffs that they would be able to sell the properties within a year or two at a significant profit; and
- e. The Blu Defendants misrepresented to Class Plaintiffs that they would help Class Plaintiffs sell their properties, which they never did.

154. The Blu Defendants were negligent in making the aforementioned misrepresentations because:

- a. These Defendants knew or should have known that the rental income would be insufficient given that they collected rent from the tenants prior to the sale of the properties to Class Plaintiffs and facilitated the mortgage loans;
- b. Defendants knew or should have known that the sales price of the properties did not accurately reflect fair market value given that the properties were all located in depressed areas;
- c. Defendants Bethea, Blu Financial, Born Asiatic and Greenfield Asset Holdings knew or should have known that it would be impossible for Class Plaintiffs to resell the properties for an amount greater than that at which Class Plaintiffs purchased them; and
- d. Blu Defendants knew or should have known that none of the tenants had the financial resources to actually purchase them given the tenants' financial situations.

156. Defendant Roy negligently made affirmative representations to Class Plaintiffs that their interests would be protected during their closings and the documents they signed contained accurate information.

157. Defendant Roy had a duty to Class Plaintiffs because, in the context of these closings, he reasonably appeared to be—and he allowed Defendants to present him as—Class Plaintiffs’ attorney. Even when Roy labeled himself a “closing agent,” he made Class Plaintiffs aware that he was an attorney and that he could assist them and answer their questions. He never disclosed his relationship with Defendants Bethea or Blu Financial to Class Plaintiffs.

158. Alternatively, even if Defendant Roy was not acting as the attorney for Class Plaintiffs, he still owed them a duty not to provide misleading information on which it was foreseeable that the Class Plaintiffs would rely. Defendant Roy owed Class Plaintiffs a duty of care because the Blu Defendants whom he represented invited the Class Plaintiffs to rely on Defendant’s Roy opinion and provision of legal services.

159. Reasonably relying on the advice and counsel of Defendant Roy, Class Plaintiffs signed the closing documents. Defendant Roy advised Class Plaintiffs not to review the documents. Class Plaintiffs would not have signed the closing documents if they had independent counsel present protecting their interests. A reasonably competent attorney would have advised Class Plaintiffs not to sign the documents, or to obtain independent representation.

160. As a direct result of Defendants’ negligent misrepresentation, Class Plaintiffs fell victim to an illegal property-flipping scheme.

161. Class Plaintiffs' reliance on Defendants' negligent misrepresentations was to their detriment because:

- a. Class Plaintiffs purchased drastically over-valued properties from Defendants;
- b. Class Plaintiffs could not afford the monthly mortgage payments on these properties;
- c. The majority of these properties subsequently went into foreclosure, which has caused significant damage to Class Plaintiffs' financial status and credit history; and
- d. On information and belief, many of the Class Plaintiffs have been forced to file for bankruptcy.

**WHEREFORE**, Class Plaintiffs demand judgment against Defendants for:

- a. Actual, consequential, and punitive damages resulting from Defendants' negligent misrepresentation;
- b. Attorney's fees and costs of suit;
- c. Other relief as the Court deems just.

**Fourth Cause of Action**  
**Malpractice by Breach of Fiduciary Duty**  
**[Against Defendant Roy]**

162. Class Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 161 as if fully set forth herein.

163. Defendant Roy was acting as Class Plaintiffs' attorney during the closings because Roy held himself out and/or permitted the other Defendants to hold him out as Class Plaintiffs' representative and Plaintiffs had a reasonable belief that Roy was protecting their interests and was present to give them legal advice.

164. By virtue of this attorney-client relationship, Defendant Roy had a fiduciary duty to act in Class Plaintiffs' best interests.

165. Defendant Roy, acting as Plaintiffs' attorney, had a fiduciary duty to disclose to Class Plaintiffs any knowledge he had of Defendant Bethea's property flipping scheme. Roy also had a duty to carefully review all closing documents before he advised Plaintiffs to sign them.

166. Defendant Roy breached this duty by advising Class Plaintiffs to sign the closing documents without giving them an opportunity to review them and by failing to reveal his relationship with Defendants Bethea and Blu Financial and his knowledge of Defendant Bethea's scheme.

167. Defendant Roy's conduct breached several Rules of Professional Conduct.

168. A reasonably competent attorney aware of Defendant Bethea's scheme would have advised Class Plaintiffs not to purchase the properties. Defendant Roy knew or should have known that Bethea was attempting to involve Plaintiffs in his property-flipping scheme because Roy was involved in numerous Blu closings at all times relevant here to and he had an ongoing business relationship with Bethea and the other Blu Defendants.

169. Class Plaintiffs signed the closing documents because they relied on Roy's implicit and explicit misrepresentations that their interests were protected.

170. Class Plaintiffs suffered a substantial financial loss as a result of Defendant Roy's breach of his fiduciary duty.

**WHEREFORE**, Class Plaintiffs demand judgment against Defendant for:

- a. Actual, consequential, and punitive damages resulting from Defendant's malpractice by breach of fiduciary duty;



- b. Attorney's fees and costs of suit;
- c. Other relief as the Court deems just.

**PRAYER FOR RELIEF**

**WHEREFORE**, Class Plaintiffs respectfully request that this Court:

- a. Certify this lawsuit as a class action;
- b. Enter judgment against Defendants, jointly and severally for:
  - i. Actual, consequential, treble and punitive damages;
  - ii. Any reasonable attorney's fees and costs of litigation; and
  - iii. Other relief as the Court deems just.

**JURY DEMAND**

Plaintiffs demand a trial by jury as to all matters triable by jury.

Dated:

6/27/08

SETON HALL UNIVERSITY  
SCHOOL OF LAW  
CENTER FOR SOCIAL JUSTICE  
Attorneys for Plaintiffs

By: Linda E. Fisher  
Linda E. Fisher, Esq.

**DESIGNATION OF TRIAL COUNSEL**

Pursuant to Rule 4:25-4, Linda E. Fisher, Esq. of the Seton Hall University School of Law Center for Social Justice is hereby designated as trial counsel for the Plaintiffs in this matter.

Dated: 6/27/08

SETON HALL UNIVERSITY  
SCHOOL OF LAW  
CENTER FOR SOCIAL JUSTICE  
Attorneys for Plaintiffs

By: Linda Fisher  
Linda E. Fisher, Esq.

#### CERTIFICATION PURSUANT TO RULE 4:5-1

The undersigned does hereby certify that the matter in controversy is the subject of no other pending lawsuits, proceedings or arbitrations in existence or currently contemplated of which I am aware, except for third-party complaints against the Blu Defendants currently pending in the following foreclosure matters in Essex County Superior Court, Chancery Division: U.S. Bank v. James, Nos. F-4058-07 and F-5304-07; DLJ Mortgage Capital v. James, No. F-22652-06; and Wells Fargo v. James, No. F-5717-07.

Dated: 6/27/08

SETON HALL UNIVERSITY  
SCHOOL OF LAW  
CENTER FOR SOCIAL JUSTICE  
Attorneys for Plaintiffs

By: Linda Fisher  
Linda E. Fisher, Esq.

#### SERVICE UPON ATTORNEY GENERAL

Service of a copy of the Complaint in this matter is being made upon the Attorney General of the State of New Jersey, pursuant to the Consumer Fraud Act for the purpose of encouraging intervention, by mailing a copy of said complaint Via Regular Mail to the

Honorable Anne Milgram, Attorney General, Office of the Attorney General, Hughes Justice Complex, P.O. Box 080, Trenton, NJ 08652.

Copy to the Director of the New Jersey Division of Consumer Affairs, 124 Halsey Street, Newark, New Jersey 07101.

Dated: 6/27/08

SETON HALL UNIVERSITY  
SCHOOL OF LAW  
CENTER FOR SOCIAL JUSTICE  
Attorneys for Plaintiffs

By: Linda E. Fisher  
Linda E. Fisher, Esq.

#### DEMAND FOR PRODUCTION OF INSURANCE AGREEMENTS

Pursuant to R. 4:10-2(b), demand is hereby made that Defendants disclose to the undersigned whether there are any insurance agreements or policies under which any person or firm carrying on an insurance business may be liable to satisfy all or part of a judgment which may be entered in the action or to indemnify or reimburse for payment made to satisfy the judgment. If so, please attach a copy of each, or in the alternative state, under oath and certification: (a) policy number; (b) name and address of insurer; (c) inception and expiration date; (d) names and addresses of all persons insured thereunder; (e) personal injury limits; (f) property damage limits; and (g) medical payment limits.

Dated: 6/27/08

SETON HALL UNIVERSITY  
SCHOOL OF LAW  
CENTER FOR SOCIAL JUSTICE  
Attorneys for Plaintiffs