

**IN THE SUPERIOR COURT
FOR THE DISTRICT OF COLUMBIA**

King's Court Condominium Association)
1907 Good Hope Road SE)
Washington, D.C. 20020)
)
Individually, and on behalf of its)
members;)
)
Joyce Saucier)
1907 Good Hope Road, SE)
Unit 111)
Washington, D.C. 20020;)
)
Sarah Bennett)
3330 4th St. SE)
Apt. 304)
Washington, DC 20032;)
)
Regina Dixon Bush)
1907 Good Hope Road, SE)
Unit 208)
Washington, D.C. 20020;)
)
Katie Carter)
1907 Good Hope Road, SE)
Unit 301)
Washington, D.C. 20020;)
)
Traci Hamilton)
1907 Good Hope Road, SE)
Unit 308)
Washington, D.C. 20020;)
)
Emma Pittman)
1907 Good Hope Road, SE)
Unit 9)
Washington, D.C. 20020;)
)
Leon McManus)
1907 Good Hope Road, SE)
Unit 211)
Washington, DC 20020)
)

Second Amended Complaint

2005 CA 001475 B

Judge Joan Zeldon

Calendar #3 (Civil 1)

Michael Maxwell)
1909 Fairlawn Ave, SE)
Washington DC 20020;)

Carlton L. Wilson)
4103 Norcross St.)
Temple Hills MD 20748;)

Albert Morton)
1430 W St. SE)
Washington DC 20020;)

Barbara Wilkerson)
1907 Good Hope Rd. SE #107)
Washington DC 20020;)

Adrienne Newell Curington)
108 Urell Pl. NE)
Washington, DC 20011;)

Sheleta Bedney)
1000 Stone Ave.)
Waldorf, MD 20602;)

Kiesha Rohan)
6000 42nd Ave. #408)
Hyattsville, MD 20781;)

Roosevelt Hall)
1907 Good Hope Rd. SE #201)
Washington, DC 20020;)

And)

William Thompson)
1907 Good Hope Rd. SE #207)
Washington, DC 20020)

v.)

Countrywide Home Loans, Inc.)
450 American Street)
Simi Valley, CA 93065)
SERVE:)
Corporation Service Company)

1090 Vermont Avenue, NW)
Suite 430)
Washington, D.C. 20005;)
)
Presidential Bank FSB)
4520 East West Highway)
Bethesda, MD 20814)
SERVE:)
Presidential Service Corporation)
4520 East West Highway)
Bethesda, MD 20814;)
)
Ascend Communities, LLC)
6564 Loisdale Court)
Suite 900)
Springfield, VA 22150-1822)
SERVE:)
Stephen M. Seeger, Esquire)
Quagliano and Seeger)
2620 P Street, NW)
Washington, D.C. 20007;)
)
Good Hope, LLC)
6564 Loisdale Court)
Suite 900)
Springfield, VA 22150-1822)
SERVE:)
Stephen M. Seeger, Esquire)
Quagliano and Seeger)
2620 P Street, NW)
Washington, D.C. 20007;)
)
Washington Technology Group)
6564 Loisdale Court)
Suite 900)
Springfield, VA 22150-1822)
SERVE:)
Lawrence J. Fedewa)
6564 Loisdale Court)
Suite 900)
Springfield, VA 22150-1822)
)
Eric Fedewa)
5262 Ballycastle Circle)
Alexandria, VA 22315)
SERVE:)

Stephen M. Seeger, Esquire)
Quagliano and Seeger)
2620 P Street, NW)
Washington, D.C. 20007;)

Roger Black)
5830 Swamp Circle Road)
Deale, MD 20751;)

Doretha Austin)
4015 Meadowview Drive)
Suitland, MD 20746;)

and)

Chesapeake Appraisal Services)
6305 Gradys Walk)
Bowie, MD 20715;)

Defendants.)
_____)

SECOND AMENDED COMPLAINT

NATURE OF COMPLAINT

1. PLAINTIFFS Joyce Saucier, Sarah Bennett, Regina Dixon Bush, Katie Carter, Traci Hamilton, Emma Pittman, Leon McManus, Michael Maxwell, Carlton Wilson, Albert Morton, Barbara Wilkerson, Adrienne Curington, Sheleta Bedney, Kiesha Rohan, Roosevelt Hall, and William Thompson (hereinafter collectively referred to as “Plaintiffs”), purchasers of condominiums at King’s Court at 1907 Good Hope Road, SE, in Washington, D.C. (“King’s Court”) bring this action on behalf of themselves because of Defendants’ intentional, negligent, and/or fraudulent conduct. Plaintiffs were deceived into purchasing units that are unstable, unsafe, hazardous, and uninhabitable. As a result of Defendants’ intentional, negligent, and/or fraudulent conduct, Plaintiffs suffered harm by being subject to intolerable living conditions.

2. The King's Court Condominium Association (hereinafter referred to as the "Association") joins this lawsuit on behalf of itself and its members (hereinafter collectively referred to as "Association Plaintiffs") because of Defendants' intentional, negligent, and/or fraudulent conduct. The Association was deceived into taking responsibility for the common areas at King's Court from the Developer Defendants who intentionally, negligently, and/or fraudulently misrepresented the condition of the King's Court property. The Developer Defendants, with the assistance of the other Defendants, concealed from the Association Plaintiffs that the King's Court property was in a significantly worse condition than was represented to the Plaintiffs and the Association Plaintiffs. Additionally, the Developer Defendants, with the assistance of the Sales Agent Defendants as defined below, concealed from the Plaintiffs and the Association Plaintiffs that the decrepit condition of the King's Court property left the Association significantly underfunded and unable to meet its obligations with regard to the maintenance and/or repair of the King's Court property.

3. This action involves, *inter alia*, (a) knowingly false advertisements, promises and representations regarding the condition of the condominium units; (b) a misleading Public Offering Statement; (c) artificially inflated appraisals of the condominium units; (d) deflated estimates of costs involved in owning and maintaining the units and common areas; and (e) assistance to Plaintiffs regarding each step of the mortgage approval process, leading Plaintiffs to believe that they were adequately represented when, in fact, they were not.

4. Defendants effectuated a property-flipping scheme, designed to expedite sale of defective units to unwary first-time homebuyers. Developer Defendants, listed in paragraphs 36-54 below, purchased a distressed rental unit complex with seriously deficient infrastructure with the intent to convert the distressed complex into 42 saleable condominium units. The conversion

of the distressed complex involved cosmetic changes to the individual units. The conversion did not include adequate repair to the common elements of the property, including, but not limited to, electrical, mechanical, roofing and ventilation systems.

5. Defendants intentionally and fraudulently targeted Plaintiffs as inexperienced and unsophisticated first-time homebuyers. Plaintiffs were steered through all aspects of the home-buying process by Defendants. Defendants arranged financing through mortgage applications designed to deceive the Federal Housing Administration (“FHA”). Plaintiffs were deceived into purchasing units that were fraudulently over-appraised and whose cosmetic repairs resulted in unstable, unsafe, hazardous, and uninhabitable dwelling units. As a result of Defendants’ intentional and fraudulent conduct, Plaintiffs suffered harm by being subjected to intolerable living conditions.

6. In an effort to induce prospective purchasers to purchase the condominium units for sale and to help them qualify for mortgages, Defendants, *inter alia*:

(a) **misrepresented the extent to which the condominium units and their common elements had been renovated;**

(b) **conspired to acquire down payment assistance on behalf of purchasers through gift funds, such as those from AmeriDream, without involving purchasers in the application process for gift funds, in order to escape scrutiny and to expedite sale of the defective units;**

(c) **established a condominium-fee structure sufficiently low as to attract prospective purchasers but with the knowledge that such fees would not cover the costs associated with maintaining the property;**

(d) **misrepresented in real-estate appraisals the market value of the property, its existing condition and costs of living at King's Court;**

(e) **failed to disclose deficiencies in plumbing and heating, electrical infrastructure, ventilation, roofing, appliance installation and the exterior walls of the complex; and**

(f) **conspired to create a pool of purchasers least likely to have home-buying experience, and least likely to retain independent inspectors.**

7. Developer Defendants directly and/or indirectly participated in the creation of the Association which was deceptively and significantly under-funded. In an effort to conceal its under-funding and induce the Association to accept control of King's Court from the Developer Defendants, these Defendants, *inter alia*:

(a) **misrepresented the extent to which the condominium units and their common elements had been renovated;**

(b) **failed to disclose deficiencies in plumbing and heating, electrical infrastructure, ventilation, roofing, appliance installation and the exterior walls of the complex; and**

(c) **established a condominium-fee structure sufficiently low as to attract prospective purchasers but with the knowledge that such fees would not cover the costs associated with maintaining the property.**

8. Defendants Good Hope, LLC, Ascend Communities, LLC, Washington Technology Group, Eric Fedewa, and their contractors constructed the King's Court development through unlawful means by, *inter alia*:

(a) **knowingly and willfully ignoring construction-industry code requirements;**

(b) **knowingly and willfully failing to remedy a chronic flooding problem at the site;**

(c) **knowingly and willfully failing to obtain required construction permits from the District of Columbia Department of Consumer and Regulatory Affairs (“DCRA”); and**

(d) **knowingly and willfully employing unlicensed contractors to perform renovations of the condominium units and common elements.**

9. Each Plaintiff purchased a condominium in reliance upon the Defendants’ knowing and intentional misrepresentations regarding (1) condominium operating costs and (2) express promises that the Plaintiff would receive a newly renovated, modern condominium in a well-maintained and secure complex. The Association accepted responsibility for the King’s Court property from the Developer Defendants in reliance upon these Defendants’ knowing and intentional misrepresentations regarding (1) condominium operating costs and (2) express promises that the Association would receive a newly renovated, modern, well-maintained, and secure condominium complex. Instead, as the Defendants knew and intended, the Plaintiffs and the Association Plaintiffs received condo units and common areas that, *inter alia*:

(a) **have a roof they share in common that is so unstable that it was at risk of collapse, and in fact, has collapsed;**

(b) **have outdated, undersized and malfunctioning plumbing and heating systems;**

- (c) **lack adequate ventilation in bathrooms, lobby and hallways because the power roof ventilators have exceeded their normal useful life expectancy;**
- (d) **experience flooding as a result of serious water infiltration problems;**
- (e) **are contaminated with toxic mold;**
- (f) **have interior structural damage caused by repeated leaks in copper pipes that run throughout the complex and are undersized for their loads;**
- (g) **lack adequate ventilation in kitchens because exhaust hoods were installed with no venting mechanism;**
- (h) **violate the District of Columbia Fire Code because the units lack appropriate fire safety ratings for doors and walls; and**
- (i) **contain improperly installed washers and faulty electrical wiring throughout.**

10. The Plaintiffs and the Association allege causes of action in violation of the District of Columbia Consumer Protection Procedures Act, violation of the District of Columbia Condominium Act, fraud, fraudulent concealment, breach of contract, breach of the implied duty of good faith and fair dealing, breach of express warranty, breach of implied warranties of fitness for particular purpose, merchantability and habitability, negligence and civil conspiracy arising out of the sale of real property and improvements located at 1907 Good Hope Road, SE, and the application for mortgages for condominiums at this property. The Plaintiffs and the Association Plaintiffs seek *inter alia* compensatory, punitive and statutory damages.

11. All defendants were an integral part of the overall enterprise that fraudulently placed Plaintiffs in dangerously decrepit condominium units and, as the participants of the enterprise, Defendants profited from the victims' losses.

JURISDICTION

12. This Court has subject matter jurisdiction pursuant to D.C. Code § 11-921 and D.C. Code §§ 28-3905(k).

13. This Court has personal jurisdiction over the Defendants pursuant to D.C. Code §§ 13-422 and 13-423.

PARTIES

THE PLAINTIFFS

14. **PLAINTIFFS Joyce Saucier, Sarah Bennett, Regina Dixon Bush, Katie Carter, Traci Hamilton, Emma Pittman, Leon McManus, Michael Maxwell, Carlton Wilson, Albert Morton, Barbara Wilkerson, Adrienne Curington, Sheleta Bedney, Kiesha Rohan, Roosevelt Hall, and William Thompson**, who purchased condominiums at King's Court at 1907 Good Hope Road, SE, in Washington, D.C., and King's Court Condominium Association, individually and on behalf of its members, all of whom own and reside in condominiums at King's Court, bring this Second Amended Complaint against Defendants Presidential Bank FSB, Countrywide Home Loans, Inc., Ascend Communities, LLC, Good Hope, LLC, Washington Technology Group, Eric Fedewa, Roger Black, Doretha Austin, and Chesapeake Appraisal Services.

Plaintiffs allege as follows:

15. **Plaintiff Joyce Saucier** is, and at all relevant times has been, a resident of the District of Columbia. She resides at 1907 Good Hope Road, SE, Unit 111, in a condominium she purchased from Defendant Good Hope LLC, with a mortgage from Defendant Presidential Bank, FSB, on June 25, 2002.

16. **Plaintiff Sarah Bennett** is, and at all relevant times has been, a resident of the District of Columbia. She resides at 3330 4th St. SE Apt. 304. She purchased Unit 206 at 1907 Good Hope Road, SE from Defendant Good Hope LLC, with a mortgage from Defendant Presidential Bank, FSB, on July 31, 2002. Ms. Bennett sold the unit on December 28, 2006.

17. **Plaintiff Regina Dixon** is, and at all relevant times has been, a resident of the District of Columbia. She resides at 1907 Good Hope Road, SE, Unit 208, in a condominium she purchased from Defendant Good Hope LLC, with a mortgage from Defendant Presidential Bank, FSB, on April 16, 2002.

18. **Plaintiff Katie Carter** is, and at all relevant times has been, a resident of the District of Columbia. She resides at 1907 Good Hope Road, SE, Unit 301, in a condominium she purchased from Defendant Good Hope LLC, with a mortgage from Defendant Countrywide Home Loans, on March 13, 2002.

19. **Plaintiff Traci Hamilton** is, and at all relevant times has been, a resident of the District of Columbia. She resides at 1907 Good Hope Road, SE, Unit 308, in a condominium she purchased from Defendant Good Hope LLC, with a mortgage from Defendant Countrywide Home Loans, on April 19, 2002.

20. **Plaintiff Emma Pittman** is, and at all relevant times has been, a resident of the District of Columbia. She resides at 1907 Good Hope Road, SE, Unit 9, in a condominium she purchased from Defendant Good Hope LLC, with a mortgage from Defendant Presidential Bank, FSB, on July 24, 2002.

21. **Plaintiff Leon McManus** is, and at all relevant times has been, a resident of the District of Columbia. He resides at 1907 Good Hope Road, SE, Unit 211, in a condominium he

purchased from Defendant Good Hope LLC, with a mortgage from Defendant Presidential Bank, FSB on August 29, 2002.

22. **Plaintiff Michael Maxwell** is, and at all relevant times has been, a resident of the District of Columbia. He resides at 1909 Fairlawn Ave, SE, Washington DC 20020. He purchased Unit 303 at 1907 Good Hope Road, SE from Good Hope LLC, with a mortgage from Defendant Countrywide Home Loans, on March 13, 2002 and foreclosed on his unit in December 2005.

23. **Plaintiff Carlton Wilson** resides at 4103 Norcross St., Temple Hills, MD 20748. He was, at time of purchase, a resident of the District of Columbia. He purchased Unit 310 at 1907 Good Hope Road, SE from Good Hope LLC, with a mortgage from Defendant Countrywide Home Loans, on March 13, 2002. Mr. Wilson has rented the unit since July 2004.

24. **Plaintiff Albert Morton** is, and at all relevant times has been, a resident of the District of Columbia. He resides at 1430 W St. SE. He purchased Unit 202 at 1907 Good Hope Road, SE from Good Hope LLC, with a mortgage from Defendant Countrywide Home Loans on April 5, 2002. His daughter currently resides in this unit.

25. **Plaintiff Barbara Wilkerson** is, and at all relevant times has been, a resident of the District of Columbia. She resides at 1907 Good Hope Road SE, Unit 107, in a condominium she purchased from Defendant Good Hope LLC, with a mortgage from Presidential Bank, FSB on May 10, 2002.

26. **Plaintiff Adrienne Newell Curington** is, and at all relevant times has been, a resident of the District of Columbia. She resides at 108 Urell Pl. NE. She purchased Unit 106 at 1907 Good Hope Road SE from Defendant Good Hope LLC, with a mortgage from Presidential Bank, FSB, on August 16, 2002. Mrs. Curington currently still owns the unit but moved out in

January 2007, and rented the unit from January 2007 to September 2007. The unit is currently unoccupied due to mold and mildew.

27. **Plaintiff Sheleta Bedney** resides at 1000 Stone Ave., Waldorf, MD 20602. She was, at time of purchase, a resident of the District of Columbia. She purchased Unit 105 at 1907 Good Hope Road SE from Defendant Good Hope LLC, with a mortgage from Presidential Bank, FSB, on July 17, 2002. Ms. Bedney sold the unit on September 6, 2005.

28. **Plaintiff Kiesha Rohan** resides at 6000 42nd Ave., #408, Hyattsville, MD 20781. She was, at time of purchase, a resident of the District of Columbia. She purchased Unit 305 at 1907 Good Hope Road SE from Defendant Good Hope LLC, with a mortgage from Presidential Bank, FSB, on November 1, 2002. Mrs. Rohan sold the unit in June 2005.

29. **Plaintiff Roosevelt Hall** is, and at all relevant times has been, a resident of the District of Columbia. He resides at 1907 Good Hope Road SE, Unit 201, in a condominium he purchased from Good Hope LLC, with a mortgage from Countrywide Home Loans, on March 13, 2002.

30. **William Thompson** is, and at all relevant times has been, a resident of the District of Columbia. He resides at 1907 Good Hope Road SE, Unit 207, in a condominium he purchased from Good Hope LLC, with a mortgage from Presidential Bank, FSB, on April 16, 2002.

31. **Plaintiff King's Court Condominium Association** is, and at all relevant times has been, comprised of all the condominium unit owners at King's Court located at 1907 Good Hope Road, SE in Washington, D.C.

THE DEFENDANTS

MORTGAGE DEFENDANTS

32. **Defendant Countrywide Home Loans, Inc.** ("Countrywide Home Loans"), a subsidiary of Countrywide Financial Corporation, is one of the nation's largest residential mortgage lenders with offices across the United States.

(a) In 2003, Countrywide Home Loans reported more than \$8 billion in revenue and about \$2.4 billion in earnings.

(b) In 2001, Countrywide Home Loans began a ten-year campaign to generate \$600 billion in home loans by 2010 to minorities and to borrowers in lower-income communities, and it proceeded to advertise heavily to minorities and first-time homebuyers.

(c) Countrywide Home Loans is incorporated in Delaware and its headquarters are in Calabasas, California.

(d) At all relevant times, Countrywide Home Loans regularly transacted business in the District of Columbia.

33. For all conduct relevant to this Second Amended Complaint, all agents and employees of Countrywide Home Loans acted within the scope of their employment and in furtherance of the company's interest.

34. Defendant Countrywide Home Loans, Inc. was an integral part of the overall enterprise that fraudulently placed Plaintiffs in dangerously decrepit condominium units while the participants of the enterprise profited from the victims' losses.

35. Upon information and belief, at all relevant times, Defendant Countrywide Home Loans, Inc. actively worked with the other Mortgage Defendants, as well as the other Defendants in this Second Amended Complaint, in an effort to facilitate the fraud that was perpetrated

against Plaintiffs and the Association Plaintiffs and to commit all other unlawful acts, as alleged herein.

36. **Defendant Presidential Bank, FSB** (“Presidential Bank”) is a privately held entrepreneurial organization regulated by the United States Office of Thrift Supervision with headquarters in Bethesda, Maryland. By its own admission, Presidential Bank ranks among top volume mortgage lenders in its home market area.

37. At all relevant times, Presidential Bank had branch offices in the District of Columbia and regularly transacted business in the District of Columbia.

38. For all conduct relevant to this Second Amended Complaint, all agents and employees of Presidential Bank acted within the scope of their employment and in furtherance of Presidential Bank’s interest.

39. Defendant Presidential Bank was an integral part of the overall enterprise that fraudulently placed Plaintiffs in dangerously decrepit condominium units while the participants of the enterprise profited from the victims’ losses.

40. Upon information and belief, at all relevant times, Defendant Presidential Bank, actively worked with the other Mortgage Defendants, as well as the other Defendants in this Second Amended Complaint, in an effort to facilitate the fraud that was perpetrated against Plaintiffs and the Association Plaintiffs and to commit all other unlawful acts, as alleged herein.

41. These Defendants, Countrywide Home Loans and Presidential Bank, hereinafter will be referred to collectively as the “Mortgage Defendants.”

DEVELOPER DEFENDANTS

42. **Defendant Washington Technology Group, LLC** ("WTG") is a company owned and operated by Lawrence Fedewa. Its functions include real-estate acquisition and development.

(a) At all relevant times, WTG regularly conducted business in Washington, D.C. WTG owns and operates a large apartment complex in Southeast Washington, D.C.

(b) With respect to all their acts and omissions as alleged herein, all agents and employees of WTG acted within the scope of their employment and in furtherance of the company's interests.

43. WTG is responsible for the actions of its subsidiaries or subdivisions including, but not limited to, Defendant Ascend Communities, LLC.

44. WTG is responsible for the actions of those directing, controlling, acting on behalf of and/or as agents for WTG and/or its subsidiaries or subdivisions including, but not limited to, Defendant Eric Fedewa.

(a) Defendant WTG was an integral part of the overall enterprise that fraudulently placed Plaintiffs in dangerously decrepit condominium units while the participants of the enterprise profited from the victims' losses.

(b) Upon information and belief, at all relevant times, Defendant WTG actively worked with the other Developer Defendants, as well as the other Defendants in this Second Amended Complaint, in an effort to facilitate the fraud that was perpetrated against Plaintiffs and the Association and the Association and to commit all other unlawful acts, as alleged herein.

45. **Defendant Good Hope, LLC** ("Good Hope") is a single-purpose company incorporated in the District of Columbia and owned and operated by Defendant Eric Fedewa for the sole purpose of developing and selling condominiums at King's Court in Washington, D.C.

(a) Good Hope commissioned the "Building Condition Survey" for the King's Court development.

(b) At all relevant times, Good Hope maintained a place of business in the District of Columbia.

(c) For all conduct relevant to this Second Amended Complaint, all agents and employees of Good Hope acted within the scope of their employment and in furtherance of the company's interest.

(d) Upon information and belief, Good Hope is a shell corporation created to shield other Defendants named herein from liability.

46. Defendant Good Hope was an integral part of the overall enterprise that fraudulently placed Plaintiffs in dangerously decrepit condominium units while the participants of the enterprise profited from the victims' losses.

47. Upon information and belief, at all relevant times, Defendant Good Hope actively worked with the other Developer Defendants, as well as the other Defendants in this Second Amended Complaint, in an effort to facilitate the fraud that was perpetrated against Plaintiffs and the Association Plaintiffs and to commit all other unlawful acts, as alleged herein.

48. **Defendant Ascend Communities, LLC** ("Ascend Communities") is a residential development and management company owned, operated, and/or controlled by Defendant Eric Fedewa. Ascend Communities was formerly the real estate division of Defendant Washington Technology Group.

(a) Ascend Communities regularly conducts business in Washington, D.C., and its portfolio includes King's Court, King's Crossing II and other, similar condominium communities in Washington, D.C.

(b) With respect to all their acts and omissions as alleged herein, all agents and employees of Ascend Communities acted within the scope of their employment and in furtherance of the company's interests.

49. Upon information and belief, at all times pertinent to this Second Amended Complaint, and in all matters pertaining to King's Court, Good Hope and Eric Fedewa directed, controlled, acted on behalf of, and/or acted as agents of Ascend Communities.

50. Upon information and belief, at all times pertinent to this Second Amended Complaint, in all matters pertaining to King's Court, Ascend Communities directed and/or controlled Good Hope.

51. Defendant Ascend Communities was an integral part of the overall enterprise that fraudulently placed Plaintiffs in dangerously decrepit condominium units while the participants of the enterprise profited from the victims' losses.

52. Upon information and belief, at all relevant times, Defendant Ascend Communities actively worked with the other Developer Defendants, as well as the other Defendants in this Second Amended Complaint, in an effort to facilitate the fraud that was perpetrated against Plaintiffs and the Association Plaintiffs and to commit all other unlawful acts, as alleged herein.

53. **Defendant Eric Fedewa ("Fedewa")**, at all times pertinent to this Second Amended Complaint, was a real estate developer who, through his use of sole-purpose

companies -- including Defendant Good Hope -- developed and marketed communities in Washington, D.C., Prince George's County, Maryland, and elsewhere.

(a) Fedewa regularly conducts business in Washington, D.C., and his companies primarily re-develop existing properties for sale to low-income, minority first-time homebuyers.

54. Upon information and belief, at all relevant times, Defendant Eric Fedewa directed, controlled, acted on behalf of and/or acted as an agent of Good Hope.

55. Upon information and belief, at all relevant times, Defendant Eric Fedewa directed, controlled, acted on behalf of and/or acted as an agent of Ascend Communities.

56. Upon information and belief, Defendant Eric Fedewa created Good Hope as a shell corporation to insulate himself and/or Developer Defendants Ascend Communities and WTG from liability.

57. Upon information and belief, Defendant Eric Fedewa created, designed, masterminded and/or orchestrated an overall enterprise to perpetrate the fraud and commit the unlawful acts as described herein.

58. Defendant Eric Fedewa was an integral part of the overall enterprise that fraudulently placed Plaintiffs in dangerously decrepit condominium units while the participants of the enterprise profited from the victims' losses.

59. Upon information and belief, at all relevant times, Defendant Eric Fedewa actively worked with the other Developer Defendants, as well as the other Defendants in this Second Amended Complaint, in an effort to facilitate the fraud that was perpetrated against Plaintiffs and the Association Plaintiffs and to commit all other unlawful acts, as alleged herein.

60. These Defendants, Good Hope, Ascend Communities, WTG, and Eric Fedewa, hereinafter will be referred to collectively as the “Developer Defendants.”

SALES AGENT DEFENDANTS

61. **Defendant Roger Black (“Black”)**, at all times pertinent to this Second Amended Complaint, was a sales agent at King’s Court and an employee or subcontractor for Defendant Good Hope and, on information and belief, for Ascend Communities and/or Eric Fedewa.

(a) Black regularly conducts business in Washington, D.C., and is currently developing and selling his own condominium ventures in southeast Washington, D.C.

(b) Defendant Roger Black was an integral part of the overall enterprise that fraudulently placed Plaintiffs in dangerously decrepit condominium units while the participants of the enterprise profited from the victims’ losses.

(c) Upon information and belief, at all relevant times, Defendant Roger Black actively worked with the other Sales Agent Defendant, as well as the other Defendants in this Second Amended Complaint, in an effort to facilitate the fraud that was perpetrated against Plaintiffs and the Association Plaintiffs and to commit all other unlawful acts, as alleged herein.

62. **Defendant Doretha Austin (“Austin”)**, at all times pertinent to this Second Amended Complaint, was a sales agent at King’s Court and an employee of Defendants Good Hope and, on information and belief, Ascend Communities and/or Eric Fedewa.

(a) Austin regularly conducts business in Washington, D.C.

(b) Defendant Doretha Austin was an integral part of the overall enterprise that fraudulently placed Plaintiffs in dangerously decrepit condominium units while the participants of the enterprise profited from the victims’ losses.

(c) Upon information and belief, at all relevant times, Defendant Doretha Austin actively worked with the other Sales Agent Defendant, as well as the other Defendants in this Second Amended Complaint, in an effort to facilitate the fraud that was perpetrated against Plaintiffs and the Association Plaintiffs and to commit all other unlawful acts, as alleged herein.

63. Upon information and belief, both Black and Austin were controlled by Defendant Eric Fedewa and/or other Developer Defendants.

64. These Defendants, Roger Black and Doretha Austin, hereinafter will be referred to collectively as the “Sales Agent Defendants.”

APPRAISER DEFENDANT

65. **Defendant Chesapeake Appraisal Services** (“Chesapeake Appraisal”), at all times relevant to this Second Amended Complaint, was a real-estate appraisal company and regularly conducted business in the District of Columbia.

(a) Chesapeake Appraisal, the appraiser pre-selected by Developer Defendants, appraised the condominium units at King’s Court on behalf of the Plaintiffs.

(b) For all conduct relevant to this Second Amended Complaint, all agents and employees of Chesapeake Appraisal acted within the scope of their employment and in furtherance of the company's interest.

(c) Defendant Chesapeake Appraisal was an integral part of the overall enterprise that fraudulently placed Plaintiffs in dangerously decrepit condominium units while the participants of the enterprise profited from the victims’ losses.

(d) Upon information and belief, at all relevant times, Defendant Chesapeake Appraisal actively worked with the other Defendants in this Second Amended Complaint, in an

effort to facilitate the fraud that was perpetrated against Plaintiffs and the Association Plaintiffs and to commit all other unlawful acts, as alleged herein.

FACTUAL ALLEGATIONS

A. DECEPTION IN THE DEVELOPMENT OF KING'S COURT

66. On or about July 14, 2000 Defendant Eric Fedewa incorporated Good Hope, LLC, to acquire, renovate and convert a 42-unit rental complex for re-sale as individual condominium units.

67. In January 2001, Defendant Eric Fedewa obtained a \$1.28 million construction loan from Riggs Bank to acquire, renovate and convert a 42-unit apartment complex at 1907 Good Hope Road, SE in Washington, D.C. This complex consisted of one apartment building built in the 1950s. In early 2001 and in advance of approval from the District of Columbia Department of Consumer and Regulatory Affairs ("DCRA"), Good Hope began construction work at the complex.

68. On May 9, 2001, Eric Fedewa, in his capacity as manager of Good Hope, filed an application for condominium registration with the DCRA, which included and incorporated a Public Offering Statement ("Public Offering Statement" or "POS"). In this Public Offering Statement, Defendants WTG, Eric Fedewa, Good Hope, and Ascend Communities, acting on their own behalf and/or on behalf of the other Developer Defendants, purported to describe fully and accurately the condition of the building, the planned renovation work on the building, and the characteristics of the condominium units that would be listed for sale.

69. Through the Public Offering Statement, the Developer Defendants also purported to describe fully and accurately the common elements of the condominium complex, its structural condition, and the condition of all major systems in the complex. Among the items

described were the plumbing and heating systems, the electrical systems, the ventilation systems, and the condition of the roof.

70. Developer Defendants included in their application for condominium registration an affidavit by Declarant and Defendant Eric Fedewa representing that “the statements contained and the documents submitted herein [including the POS] are true and complete” As these Defendants then knew and intended, this affidavit was false, and these documents contained false, misleading, and fraudulent statements and representations.

71. As the Developer Defendants then knew, the Public Offering Statement was fraudulent and misleading. For example, the Developer Defendants knowingly and intentionally represented that the “plumbing in the Renovated Units had been upgraded to include new water and vent arm outs, copper supply lines, fixtures and fittings.” However, the Developer Defendants knowingly and intentionally failed to replace, or installed in a shoddy manner, many of the fixtures and fittings in the condominiums, resulting in repeated leaks into the units below by such fixtures and fittings. As a result, as the Developer Defendants then knew, or should have known, much of the plumbing violates applicable building codes; most of the pipes are aged, corroded, and leaking; and the pipes lack insulation, creating condensation that has dripped and continues to drip through ceilings thereby producing perpetual dampness, high humidity and mold.

72. In their Public Offering Statement, the Developer Defendants also falsely and fraudulently represented that “[a]ll renovation and alteration work to King’s Court condominium, was and is being performed . . . in accordance with applicable zoning ordinances, building codes, housing codes and similar laws affecting the Condominium, or as otherwise approved by District of Columbia housing inspectors.” To the contrary, as the Developer Defendants then knew and

intended, or should have known, they performed, or caused to be performed, renovation work in advance of and/or without obtaining required construction permits from the District of Columbia government. Developer Defendants knowingly and intentionally failed to get such permits in an effort to save costs and time.

73. The Developer Defendants never intended to perform the renovation in compliance with “applicable zoning ordinances, building codes, housing codes and similar laws affecting the Condominium, or as otherwise approved by District of Columbia housing inspectors,” as they represented in their Public Offering Statement.

74. As part of their scheme to knowingly violate applicable ordinances, codes, and laws, Defendant Fedewa, acting on his own and/or on behalf of the other Developer Defendants, posted a bond in the amount of \$96,255.00. By posting a bond of \$96,255.00, Developer Defendants signaled their intent to spend less than the amount required to properly renovate and convert the 42 units and the common elements comprising the King’s Court development.

75. As of the date of this Second Amended Complaint, the Developer Defendants have willfully delayed repair or have refused to correct major flaws in the renovation of King's Court. These flaws and violations are continuing as of the date of this Second Amended Complaint.

(a) For example, rather than install ducts that would carry kitchen exhaust to the exterior of the building, as required by the applicable code, Developer Defendants and their contractors and employees knowingly and intentionally ignored the code provision requiring such outside ducting. To cut costs and save time, Developer Defendants knowingly and intentionally left each kitchen hood devoid of its venting mechanism, and knew, or should have

known, that the resultant lack of proper venting was unlawful. As of the date of this Second Amended Complaint, the Developer Defendants have not corrected this unlawful condition.

76. On or about February 7, 2001, Defendant Good Hope commissioned a Building Condition Survey (“Survey”) of the King's Court building, which culminated in a report of the general physical condition of the architectural, structural, heating, ventilating, air conditioning (HVAC), plumbing and electrical systems and components. This Survey, included as part of the Public Offering Statement the Developer Defendants submitted to DCRA, purposely concealed the actual, observed condition of the roof and its estimated useful life, choosing instead to rely on representations made by management of the King’s Court property prior to conversion, who stated that “the roof was replaced about 7 years ago.” Upon information and belief, the roof over the building was past its useful life, and in fact has since collapsed and had to be replaced at great cost to the Plaintiffs and the Association Plaintiffs.

B. FRAUDULENT INDUCEMENT

77. In approximately February 2002, the Developer Defendants advertised the sale of newly-renovated condominiums at King’s Court by placing banners on the face of the apartment complex advertising the condominium sales and representing that the condominium units were newly-renovated and that free computers were available.

78. As Developer Defendants knew and intended, these advertisements, promises, and representations were knowingly false and fraudulent. Developer Defendants did not provide a "newly renovated" building in the King’s Court property. To the contrary, they intentionally performed only cosmetic changes to the aging property. Additionally, they failed to properly install a gate for the community with controlled-access entry as was represented to prospective buyers.

79. In approximately March 2002, and continuing throughout the summer, Defendants Roger Black and Doretha Austin, on their own behalf and/or on behalf of Developer Defendants, met with the potential buyers of the King's Court condominiums. During these meetings, Defendants Austin and Black showed these prospective buyers a model unit at King's Court. As Black, Austin and Developer Defendants then knew and intended, or should have known, the condominiums were materially and significantly in far worse condition than the model appeared.

80. Defendants Black and Austin, on their own behalf and/or on behalf of the Developer Defendants, further knowingly and intentionally misrepresented to the prospective buyers that they would receive newly-renovated condominiums, and reiterated their false and fraudulent promise of a gated community with locked building entrances and intercom systems.

81. Defendants Black, Austin, and Developer Defendants never intended to deliver newly-renovated condominiums. These Defendants knew that the "renovations" were actually cosmetic rehabilitations and that the Developer Defendants had installed new carpet and paint to conceal the defects in the condominiums.

82. In or around early 2002 to late 2002, prospective purchasers, who had met with Defendants Roger Black and Doretha Austin, received telephone calls from Roger Black and Doretha Austin, or both, informing them that they had qualified to purchase condominiums at King's Court.

83. As part of the process of obtaining the purchase agreements, Defendants Black and Austin, acting on their own behalf and/or on behalf of Developer Defendants, typically discussed and/or completed a worksheet comparing the costs of each prospective buyer's current rent to the costs of ownership. In doing so, these Defendants knowingly and intentionally

misrepresented the costs of ownership so that the results of the analysis would represent to the prospective buyer that he or she would pay less to purchase and own a unit at King's Court than he or she would pay to rent.

84. Developer Defendants and Sales Agent Defendants knowingly and intentionally misrepresented to Plaintiffs that the condominiums were backed by a two-year warranty against defects and major repairs. For example, in a written Certificate of Warranty provided to most Plaintiffs in the Public Offering Statement filed with the District of Columbia government and promoted by both the Developer Defendants and the Sales Agent Defendants, Eric Fedewa and Good Hope promised that they would repair or replace certain defects in the structural elements of each condominium unit for two years after that unit was purchased. They further warranted that they would fix certain structural defects in the common area elements for two years following either the date that the first unit was conveyed or the common area elements were completed, whichever was later. These Defendants never intended to honor such representations. These Defendants never completed repair or replacement of all defective common area elements.

85. For example, the Building Condition Survey commissioned by Good Hope LLC warned: "The apartment units that face the rear and side parking lots have serious water infiltration problems that appear to have continued over a significant period of time. Regrading the parking lot so that the grades slope away from the building as well as waterproofing the exterior walls will prevent this from happening in the future." The Survey continues in its Executive Summary that: "The existing electrical system shows signs that it has repeatedly been underwater as does the boiler and domestic water heaters." And yet, in spite of the Survey, Developer Defendants failed to include waterproofing in the scope of work during the

rehabilitation. As a result of the Developer Defendant's negligence, Plaintiffs endured devastating flooding in the ground level units.

C. MORTGAGE FRAUD

86. To induce prospective buyers to purchase units at King's Court, Defendants Roger Black and Doretha Austin acting on their own behalf and/or on behalf of the Developer Defendants, and in concert with the Mortgage Defendants, told prospective buyers, including Plaintiffs, that they would have to contribute little or no down payment to purchase their condominiums. Rather than the standard three to ten percent down payment required to secure a mortgage on a property, Plaintiffs each contributed at most \$500 for down payments.

87. Defendants Black and Austin acting on their own behalf and/or on behalf of the Developer Defendants, and in concert with the Mortgage Defendants, made these representations to Plaintiffs who sought and obtained federally-insured mortgages, known as Federal Housing Administration ("FHA") loans, which required, at minimum, a three-percent down payment.

88. Most Plaintiffs never completed a mortgage application. Instead, Defendants Black and Austin, acting on their own behalf and/or on behalf of Developer Defendants, collected Plaintiffs' financial information and steered their applications to Presidential Bank and Countrywide Home Loans. Employees of the Mortgage Defendants completed the final processing of the mortgage applications. These employees, acting on behalf of the Mortgage Defendants, knew or recklessly disregarded that the applications were false, and Plaintiffs' mortgage applications should not have been approved.

89. A central part of the King's Court fraud was the false and inflated appraisal of the King's Court property. All Mortgage Defendants knew or recklessly disregarded that this appraisal was inflated and based on unrealistic and bogus assumptions.

90. The Mortgage Defendants knew or recklessly disregarded that the estimated condominium fees to maintain and repair King's Court were drastically low in view of the terribly flawed condition of the development.

91. Employees of the Mortgage Defendants knowingly and intentionally completed and processed inaccurate and falsified loan and mortgage documents to assure that the Plaintiffs qualified for mortgages.

92. The Mortgage Defendants knew or recklessly disregarded that Plaintiffs were being extended loans that they could not possibly repay. Nevertheless, at all relevant times, it was in the interest of Countrywide Home Loans to approve the mortgage applications of, and to grant home loans to, Plaintiffs, in that:

(a) the majority of the mortgages were FHA insured, which insured Countrywide Home Loans, as a private lender, against loss on the mortgages given to Plaintiffs;

(b) Countrywide Home Loans packaged all of the mortgages it granted at King's Court and sold such packages to other entities;

(c) upon the sale of such packages, Countrywide Home Loans profited from these loans; and

(d) upon the making of such loans, Countrywide Home Loans advanced its campaign to generate \$600 billion in home loans to minorities and to borrowers in lower-income communities by the year 2010.

93. By packaging and selling these loans to other entities, Countrywide Home Loans purposely sought to avoid any possibility of financial loss resulting from what it knew, or should have known, to be the inevitable foreclosure on King's Court condominiums, while profiting on the Plaintiffs' mortgages.

94. The Mortgage Defendants acted with knowledge and *scienter* and/or reckless disregard when they lured Plaintiffs to buy condominium units at King's Court that were priced far beyond their true value. Almost simultaneously with the King's Court scheme, at least one of the Mortgage Defendants worked hand-in-hand with the Developer Defendants, Sales Agent Defendants, and Appraiser Defendant in a similar scheme at the King's Crossing II condominium complex. The King's Crossing II scheme again involved an integrated fraud comprised of Eric Fedewa and several shell corporations, some of the same Mortgage Defendants, and Defendants Austin and Black as the predatory salespersons who convinced inexperienced, first-time homebuyers that the King's Crossing II development was a superior property that represented dream homes. In reality, these promises were hollow because like King's Court, the King's Crossing II development was falling apart, and given the sorry condition of the premises, the money to make needed repairs was not available.

95. Defendants Black and Austin steered Plaintiffs to Presidential Bank and Countrywide Home Loans without discussing with the Plaintiffs the interest rates or types of mortgages available.

96. At all relevant times, it was within the scope of Countrywide Home Loans' business to process and approve loan applications for Plaintiffs and to grant these individuals mortgages under the U.S. Department of Housing and Urban Development ("HUD")/FHA's Direct Endorsement Program.

97. At all relevant times, Defendant Countrywide Home Loans worked closely and conspired with Sales Agent Defendants Roger Black and Doretha Austin and Developer Defendants to ensure the approval of loan applications, knowing and intending that the mortgage applications they completed on behalf of Plaintiffs were fraudulent. Employees of Countrywide

Home Loans completed processing of Plaintiffs' loan applications and documents. These employees remained in constant contact with Black and Austin and coordinated efforts to steer Plaintiffs' loan applications to the Mortgage Defendants. Agents of the Mortgage Defendants also acted together with Black and Austin and the Developer Defendants to falsify Plaintiffs' mortgage applications and other documents necessary to obtain approval for Plaintiffs' mortgage loans.

98. At all relevant times, Countrywide Home Loans was a Direct Endorsement Lender under the auspices of the FHA. Under the FHA approved Direct Endorsement Lender Program, it is the Lender who assumes responsibility for determining that the property is acceptable for mortgage insurance. Countrywide Home Loans failed in this responsibility.

99. As a Direct Endorsement Lender, Countrywide Home Loans was required to exercise due diligence to protect both the Plaintiffs' rights, as well as its own investment. In particular, Countrywide Home Loans must, *inter alia*:

(a) determine that the proposed mortgage is eligible for insurance under FHA program regulations;

(b) exercise the same level of care which it would exercise absent FHA mortgage insurance;

(c) review the property analysis, recorded in HUD Form HUD – 92564-VC, for all properties at least one year old at the time the appraisal was approved by Countrywide Home Loans' underwriter, which *must* include the following documentation:

(i) any defective conditions, including defective construction, poor workmanship, evidence of continuing settlement, excessive dampness, leakage, decay, or other conditions impairing the safety, sanitation or structural soundness of the dwelling (which in the

case of condominium units includes the common areas). Such conditions shall render the property unacceptable until the defects or conditions have been remedied and the probability of further damage is eliminated;

(ii) a roof inspection that confirms that the roof covering prevents the entrance of moisture and provides future utility, durability, and economy of maintenance; and

(iii) evidence that the site is graded so as to provide positive, rapid drainage away from the perimeter walls of the dwelling and to prevent ponding of water on site.

(d) approve the mortgage credit analysis to confirm that the mortgage credit examiners' conclusions are valid; and

(e) approve the appraisal report to confirm the acceptability of the conclusions reached by the appraiser, which includes:

(i) verifying that facts are correct;

(ii) determining the plausibility and consistency of conclusions based on data in the report; and

(iii) determining that the conclusions reached are consistent with similar cases that have been processed.

100. Countrywide Home Loans acted knowingly, intentionally, and/or recklessly in processing Plaintiffs' mortgages when it, *inter alia*,

(a) never met with the majority of the Plaintiffs during their application for a mortgage but, rather, depended upon the information collected by Black and Austin;

(b) was aware that Plaintiffs seeking mortgages with Countrywide Home Loans had never been shown the common elements of their units or had the true condition of the common elements described to them prior to settlement;

(c) declined to adequately calculate the Plaintiffs' ability to meet mortgage payments and systematically approved loans where Countrywide Home Loans knew and/or recklessly disregarded that it was unlikely that Plaintiffs could meet their monthly payments;

(d) included false information in loan agreements;

(e) refused to adequately analyze a Property Analysis for the documentation of defective conditions that would render the property uninhabitable;

(f) knowingly, intentionally, and/or recklessly approved a property analysis that failed to acknowledge problems raised in tandem with the *conversion of the property* from rental units to condominium units and documented in the POS filed with the District of Columbia government;

(g) knowingly, intentionally, and/or recklessly did not question an appraisal report that:

(i) used other units in King's Court and other properties of the Developer Defendants to determine the value of each Plaintiff's unit, which was against professional standards because, among other reasons, to do so artificially inflated the value of each appraised unit; and

(ii) falsely described the units as having undergone gut-rehabilitation when Countrywide Home Loans knew and/or recklessly disregarded that no such work had occurred, having gained this knowledge by the fact that Jim and Mitzi Preuss ("Mr. and Mrs. Preuss"), agents of Countrywide Home Loans, had worked out of King's Court during the general rehabilitation process.

(h) knowingly, intentionally, and/or recklessly approved documents that stated that the units were renovated at the time of purchase even though it knew or should have

(i) knowingly, intentionally, and/or recklessly approved inflated appraisals of the units; and

(j) did not inform Plaintiffs that their loans were approved because of bogus Gift Funds.

101. Because of the conduct described above, and by failing to conduct its business in accordance with industry-wide standards and ethical obligations, Countrywide Home Loans has caused Plaintiffs to suffer damages relating to the purchase of defective property. The defective property's underlying value has been over-stated and misrepresented through the collusion of the seller and his pre-selected sales agents, lenders and appraiser.

102. At all relevant times, it was within the scope of Presidential Bank's business to process and approve loan applications for Plaintiffs and to grant these individuals mortgages under HUD/FHA's Direct Endorsement Lender Program.

103. At all relevant times, it was in the interest of Presidential Bank to approve the mortgage applications of, and to grant home loans to, any Plaintiffs, in that:

(a) the majority of the mortgages were FHA insured, which insured Presidential Bank, a private lender, against loss on the mortgages given to Plaintiffs;

(b) Presidential Bank packaged all of the mortgages it granted at King's Court, and sold such packages to other entities; and

(c) upon the sale of such packages, Presidential Bank profited from these loans.

104. By packaging and selling these loans to other entities, Presidential Bank purposely sought to avoid any possible financial loss resulting from what it knew or recklessly disregarded to be the inevitable foreclosure on King's Court condominiums, while profiting on the Plaintiffs' mortgages. Employees of Presidential Bank completed processing of Plaintiffs' loan applications and documents. These employees falsified Plaintiffs' mortgage applications and other documents necessary to obtain approval for Plaintiffs' mortgage loans. Thus, these employees intended for Presidential Bank to enter in insured loans that they knew or recklessly disregarded would likely be defaulted, ensuring Presidential Bank profits from sales of the packages of these loans and protecting against loanees' failure to pay.

105. At all relevant times, Defendant Presidential Bank worked closely with, and conspired with, Sales Agent Defendants Roger Black and Doretha Austin and Developer Defendants to ensure the approval of loan applications, knowing and intending that the mortgage applications they completed on behalf of Plaintiffs were fraudulent. Employees of Presidential Bank completed the processing of Plaintiffs' loan applications and documents. These employees were in constant contact with Black and Austin and coordinated efforts to steer Plaintiffs' loan applications to the Mortgage Defendants. Agents of the Mortgage Defendants also acted together with Black and Austin and the Developer Defendants to falsify Plaintiffs' mortgage applications and other documents necessary to obtain approval for Plaintiffs' mortgage loans.

106. At all relevant times, Presidential Bank was a Direct Endorsement Lender under the auspices of the FHA. Under the HUD/FHA's Direct Endorsement Lender Program, it is the Lender who assumes responsibility for determining that the property is acceptable for mortgage insurance. Presidential Bank failed in this responsibility.

107. As a Direct Endorsement Lender, Presidential Bank was required to exercise due diligence to protect both the Plaintiffs' rights and its own investment. In particular, Presidential Bank must, *inter alia*:

(a) determine that the proposed mortgage is eligible for insurance under FHA program regulations;

(b) exercise the same level of care which it would exercise absent FHA mortgage insurance;

(c) review the property analysis, recorded in HUD Form HUD – 92564-VC, for all properties at least one year old at the time the appraisal was approved by Countrywide Home Loans' underwriter, which must include the following documentation:

(i) any defective conditions, including defective construction, poor workmanship, evidence of continuing settlement, excessive dampness, leakage, decay, or other conditions impairing the safety, sanitation or structural soundness of the dwelling (which in the case of condominium units includes the common areas). Such conditions shall render the property unacceptable until the defects or conditions have been remedied and the probability of further damage is eliminated;

(ii) a roof inspection that confirms that the roof covering prevents the entrance of moisture and provides future utility, durability and economy of maintenance; and

(iii) evidence that the site is graded so as to provide positive rapid drainage away from the perimeter walls of the dwelling and to prevent ponding of water on site.

(d) approve the mortgage credit analysis to confirm that the mortgage credit examiners conclusions are valid; and

(e) approve the appraisal report to confirm the acceptability of the conclusions reached by the appraiser, which includes:

(i) verifying that facts are correct;

(ii) determining the plausibility and consistency of conclusions based on data in the report; and

(iii) determining that the conclusions reached are consistent with similar cases that have been processed.

108. Presidential Bank acted knowingly, intentionally, and/or recklessly in processing Plaintiffs' mortgages when it, *inter alia*:

(a) never met with the majority of the Plaintiffs during the application phase but, rather, depended upon the information collected by Black and Austin;

(b) declined to adequately calculate the Plaintiffs' ability to meet mortgage payments and systematically approved loans where it was unlikely that Plaintiffs could meet their monthly payments. Specifically, Presidential Bank knowingly, intentionally, and/or recklessly approved the following mortgage applications despite their respective red flags;

(i) Tracy Brosnan ("Ms. Brosnan"), agent of Presidential Bank, approved Plaintiff Regina Bush's mortgage even though Regina Bush lived alone, earned only eleven dollars an hour and soon before had been unemployed for a significant amount of time; and

(ii) Ms. Brosnan approved Plaintiff Emma Pittman's mortgage even though she knew that Emma Pittman could only afford her unit if her sister lived with her.

(c) omitted relevant information from the loan agreement, by, *inter alia*, failing to indicate anywhere that Plaintiff Emma Pittman had a common law husband;

(d) refused to adequately analyze a Property Analysis for the documentation of defective conditions that would render the property unacceptable;

(e) knowingly, intentionally, and/or recklessly approved a property analysis that failed to acknowledge problems raised in tandem with the *conversion of the property* from rental units to condominium units and documented in the POS filed with the District of Columbia government;

(f) knowingly, intentionally, and/or recklessly did not question an appraisal report that:

(i) used other units in King's Court and other properties of the Developer Defendants to determine the value of each plaintiff's unit, which was against professional standards because, among other reasons, to do so artificially inflated the value of each appraised units; and

(ii) falsely described the units as having undergone gut-rehabilitation when Presidential Bank knew or should have known that no such work had occurred, having gained this knowledge by the fact that Ms. Brosnan had worked out of King's Court during the general rehabilitation process.

(g) knowingly, intentionally, and/or recklessly approved documents that stated that the units were renovated at the time of purchase even though it knew or should have known that the units were not actually renovated and still under construction because Ms. Brosnan met with the Plaintiffs in person at the King's Court property on the day of the purchase;

(h) knowingly, intentionally, and/or recklessly approved inflated appraisals of the units; and

(i) did not inform Plaintiffs that their loans were approved because of bogus Gift Funds.

109. Because of the conduct described above, and by failing to conduct its business in accordance with industry-wide standards and ethical obligations, Presidential Bank has caused Plaintiffs to suffer damages relating to the purchase of defective property. The defective property's underlying value has been over-stated and misrepresented through the collusion of the seller and his pre-selected sales agents, lenders and appraiser.

D. APPRAISAL FRAUD

110. Chesapeake Appraisals (“Appraiser Defendant”), which performed appraisals on the condominiums at King’s Court before these units were sold, knowingly and intentionally inflated the appraisals of the condominiums to assist the Developer Defendants by, in part, comparing each of the units purchased by a Plaintiff *to other units already sold in the complex*, thereby effectively giving control over unit prices to the Developer Defendants. This appraisal method employed by Appraiser Defendant, at least in part, allowed the Developer Defendants to fix the market price for the condominiums at King’s Court.

111. The outside comparisons that Chesapeake Appraisals made in appraising King's Court included other condominium conversion projects of Ascend Communities and Eric Fedewa, such as the Wade Road and King’s Crossing II condominiums, which also, at least in part, allowed the Developer Defendants to fix the market price for the condominiums.

112. Upon information and belief, Appraiser Defendant violated accepted guidelines in the appraisal industry that require an appraiser to inspect the interior of the property or specifically state that he or she has not done so.

113. In their appraisals of the King's Court condominiums, Defendant Chesapeake Appraisals made numerous material misstatements of fact, including, *inter alia*:

(a) stating that the “subject has been gutted and renovated” when, in fact, the renovations were predominantly cosmetic and a gut rehabilitation had not occurred;

(b) stating that the condominiums contained washers and dryers when, in fact, washers and dryers were not installed in those units at the time of the appraisal; and

(c) appraising several condominiums as being in “good/renovated condition,” even though Developer Defendants had not yet completed the renovation of those condominiums and did not do so until after they sold those units.

FACTUAL ALLEGATIONS AS TO THE ASSOCIATION PLAINTIFFS

114. The overall scheme as alleged in paragraphs 60-107, *supra*, including the deception in the development of King’s Court, fraudulent inducement, and certain key elements of mortgage and appraisal fraud, applies directly to the claims brought herein by the Association. These factual allegations supporting the claims of the Association Plaintiffs are hereby realleged and incorporated by reference.

115. The Association is comprised of the individual condominium unit owners, each of whom has a 2.38% undivided interest in the property.

116. Thus, as each individual Plaintiff was induced to purchase a condominium unit at King’s Court, the Association was thereby induced to accept another 2.38% of the responsibility for maintenance and repair of the property from the Developer Defendants.

117. Furthermore, the POS, an offer accepted by each Plaintiff when they signed their respective Purchase Agreements, provided for the creation of and established the By-laws for the Association. Because of this relationship, Association Plaintiffs allege that the fruits of the

contracts between the Plaintiffs and the Developer Defendants were intended to flow to the Association as well. The Developer Defendants thus owe the same duties to the Association that they owe to the Plaintiffs with regard to King's Court.

118. Because the Plaintiffs and the Association are so inextricably intertwined, a complete explanation of the wrongdoing suffered by the Association here requires a reiteration of the wrongdoing suffered by the Plaintiffs.

119. In addition to the facts already set out herein, the Developer Defendants worked with the Sales Agent Defendants to conceal from the Association the true and decrepit condition of the King's Court property prior to the transfer of control of that property from the Developer Defendants to the Association.

120. The Developer Defendants and the Sales Agent Defendants misrepresented the condition of the King's Court property as described herein, knowing that the Association was grossly under-funded and would be unable to maintain and or repair the hidden deficiencies in that property.

121. The Developer Defendants and the Sales Agent Defendants created and or promoted a fee-schedule that they knew would be inadequate for maintaining the King's Court property.

122. The Developer Defendants and the Sales Agent Defendants furthered the goals of the overall scheme by creating the rules under which the Association was formed and by placing particular individuals on the Association board, including Developer Defendant Eric Fedewa.

123. At the first meeting of the Association, Sales Agent Defendant Doretha Austin directed the Plaintiffs' votes relating to who should occupy the positions on the Association's board.

124. By placing key individuals in decision-making roles on the Association's board, the Developer Defendants and the Sales Agent Defendants were able to prevent the Association from taking action to seek monies from the Developer Defendants to effectuate needed repairs at King's Court.

PLAINTIFFS' COUNTS

PLAINTIFFS' STATUTORY COUNTS

COUNT I

VIOLATION OF THE D.C. CONSUMER PROTECTION PROCEDURES ACT

(D.C. Code §§ 28-3901, *et seq.*)

(Developer Defendants)

125. Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

126. The Developer Defendants violated the District of Columbia Consumer Protection Procedures Act, D.C. Code §§ 28-3901, *et seq.* (the "CPPA"), enacted to assure that a just mechanism exists to remedy all improper trade practices, deter the continuing use of such practices and promote fair business practices throughout the community. D.C. Code § 28-2904.

127. These Defendants willfully violated the CPPA by, *inter alia*, misrepresenting consumer realty, that is, the King's Court condominium development and its condominiums in that they:

(a) engaged in unfair or deceptive acts or practices in violation of any and all consumer protection statutes when Defendants represented, through advertising, warranties, and other express representations, that the King's Court condominium units had benefits or characteristics that they did not actually have;

(b) violated consumer protections statutes when Defendants falsely represented that the King's Court condominium units were of a particular standard or quality when they were not by:

(i) representing that fixtures and accessories presented as part of the King's Court condominium development and its condominiums were of particular standard, quality, grade, style, or model, when, in fact, they were significantly and materially deteriorated from that standard, quality, grade, style, or model;

(ii) representing that fixtures and accessories presented as part of the King's Court condominium development and its condominiums were original or new when, in fact, they were deteriorated, second hand, and used.

(c) further violated consumer protection statutes when Defendants advertised the King's Court condominium units with the intent not to sell them as advertised, and in so doing, Defendants concealed and suppressed facts material to the true characteristics, standards and quality of the condominium units by:

(i) failing to state that the purchase of a condominium unit included purchase of its common elements and that those common elements were in various stages of disrepair. Defendants willfully and deceptively denied Plaintiffs access to the common elements prior to purchase, preventing them from knowing the extent of the disrepair and purposely withheld from first-time homebuyer Plaintiffs their pending ownership of and responsibility for the under-rehabilitated common elements; and

(ii) advertising and offering "free computers" with the purchase of condominium units without the intent to give Plaintiffs computers with their purchase.

(d) misrepresented that they had approvals and certification, by DCRA and other D.C. authorities, pertaining to licenses, codes, and permission to renovate and sell properties they did not have.

128. Intending that the Plaintiffs rely on their misrepresentations, these Defendants further willfully violated the CPPA by deception, fraud, false pretense, false promise, misrepresentation, knowing concealment, and/or suppression and omission of material facts related to the promotion and sale of consumer realty and its subsequent performance with respect to the sale of the property to the Plaintiffs. Defendants' conduct was so outrageous as to constitute ill will, bad motive and reckless indifference to the interests of the consumers and was specifically designed to induce Plaintiffs to buy the defective condominium units at King's Court.

129. Plaintiffs are among the class of people the CPPA is designed to protect.

130. Plaintiffs have suffered damages as a direct and proximate result of these acts and/or omissions by these Defendants in violation of the CPPA, as described herein.

131. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (b) compensatory damages in an amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) \$10,000,000.00 for punitive damages;
- (e) pre- and post-judgment interest as permitted by law;
- (f) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (g) such other relief as this court may deem just and proper.

COUNT II
VIOLATION OF THE D.C. CONSUMER PROTECTION PROCEDURES ACT
(D.C. Code §§ 28-3901, *et seq.*)
(Sales Agent Defendants)

132. Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

133. The Sales Agent Defendants violated the District of Columbia Consumer Protection Procedures Act, D.C. Code §§ 28-3901, *et seq.* (the "CPPA"), enacted to assure that a just mechanism exists to remedy all improper trade practices, deter the continuing use of such practices and promote fair business practices throughout the community. D.C. Code §28-2904.

134. These Defendants willfully violated the CPPA by, *inter alia*, misrepresenting consumer realty, that is, the King's Court condominium development and its condominiums in that they:

(a) engaged in unfair or deceptive acts or practices in violation of any and all consumer protection statutes when Defendants represented, through advertising, warranties, and other express representations, that the King's Court condominium units had benefits or characteristics that they did not actually have;

(b) violated consumer protections statutes when Defendants falsely represented that the King's Court condominium units were of a particular standard or quality when they were not by:

(i) representing that fixtures and accessories presented as part of the King's Court condominium development and its condominiums were of particular standard, quality, grade, style, or model, when, in fact, they were significantly and materially deteriorated from that standard, quality, grade, style, or model; and

(ii) representing that fixtures and accessories presented as part of the King's Court condominium development and its condominiums were original or new when, in fact, they were deteriorated, second hand, and used.

(c) further violated consumer protection statutes when Defendants advertised the King's Court condominium units with the intent not to sell them as advertised, and in so doing, Defendants concealed and suppressed facts material to the true characteristics, standards and quality of the condominium units by:

(i) failing to state that the purchase of a condominium unit included purchase of its common elements and that those common elements were in various stages of disrepair. Defendants willfully and deceptively denied Plaintiffs access to the common elements prior to purchase, preventing them from knowing the extent of the disrepair and purposely withheld from first-time homebuyer Plaintiffs their pending ownership of and responsibility for the under-rehabilitated common elements; and

(ii) advertising and offering "free computers" with the purchase of condominium units without the intent to give Plaintiffs computers with their purchase.

(d) misrepresented that they had approvals and certification, by DCRA and other D.C. authorities, pertaining to licenses, codes, and permission to renovate and sell properties they did not have.

135. Intending that the Plaintiffs rely on their misrepresentations, these Defendants further willfully violated the CPPA by deception, fraud, false pretense, false promise, misrepresentation, knowing concealment, and/or suppression and omission of material facts related to the promotion and sale of consumer realty and its subsequent performance with respect to the sale of the property to the Plaintiffs. Defendants' conduct was so outrageous as to

136. Plaintiffs are among the class of people the CPPA is designed to protect.

137. Plaintiffs have suffered damages as a direct and proximate result of these acts and/or omissions by these Defendants in violation of the CPPA, as described herein.

138. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (b) compensatory damages in an amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) \$10,000,000.00 for punitive damages;
- (e) pre- and post-judgment interest as permitted by law;
- (f) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (g) such other relief as this court may deem just and proper.

COUNT III
VIOLATION OF THE D.C. CONSUMER PROTECTION PROCEDURES ACT
(D.C. Code §§ 28-3901, *et seq.*)
(Mortgage Defendants)

139. Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

140. The Mortgage Defendants violated the District of Columbia Consumer Protection Procedures Act, D.C. Code §§ 28-3901, *et seq.* (the "CPPA"), enacted to assure that a just mechanism exists to remedy all improper trade practices, deter the continuing use of such practices and promote fair business practices throughout the community. D.C. Code §28-2904.

141. These Defendants willfully violated the CPPA by, *inter alia*:

(a) unconscionably approving loans these Defendants knew Plaintiffs could not afford to repay;

(b) unconscionably approving such loans because the loans were insured against default by the FHA; and

(c) unconscionably approving such loans, knowing the decrepit condition of the King's Court property, that such condition was fraudulently concealed and/or misrepresented to Plaintiffs, and that it would require significant additional funds to repair the dangerously sub-standard conditions of that property.

142. Intending that the Plaintiffs rely on the Mortgage Defendants' approval of their loan applications as an indication that Plaintiffs would be able to repay the loans, and as an enticement to enter into mortgage agreements for the purchase of the sub-standard King's Court condominium units, the Mortgage Defendants further willfully violated the CPPA by deception, fraud, false pretense, false promise, misrepresentation, knowing concealment, and/or suppression and omission of material facts related to the promotion and sale of consumer realty.

143. Defendants' conduct was so outrageous as to constitute ill will, bad motive and reckless indifference to the interests of the consumers and was specifically designed to induce Plaintiffs to enter in to loan agreements they could not afford.

144. Plaintiffs are among the class of people the CPPA is designed to protect.

145. Plaintiffs have suffered damages as a direct and proximate result of these acts and/or omissions by these Defendants in violation of the CPPA, as described herein.

146. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (b) compensatory damages in an amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) \$10,000,000.00 for punitive damages;
- (e) pre- and post-judgment interest as permitted by law;
- (f) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (g) such other relief as this court may deem just and proper.

COUNT IV
VIOLATION OF THE D.C. CONSUMER PROTECTION PROCEDURES ACT
(D.C. Code §§ 28-3901, *et seq.*)
(Appraiser Defendant)

147. Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

148. The Appraiser Defendant violated the District of Columbia Consumer Protection Procedures Act, D.C. Code §§ 28-3901, *et seq.* (the “CPPA”), enacted to assure that a just mechanism exists to remedy all improper trade practices, deter the continuing use of such practices and promote fair business practices throughout the community. D.C. Code §28-2904.

149. These Defendants willfully violated the CPPA by, *inter alia*, misrepresenting consumer realty, that is, the King’s Court condominium development and its condominiums in that they:

- (a) misrepresented that the condominium units were “guttled and renovated” and/or “newly renovated”; and
- (b) created real estate appraisals in which there was a gross disparity between the sale price of the property and both the value of the property measured by its actual condition

and the comparable properties in comparable neighborhoods other than those in the existing condominium development.

150. Intending that the Plaintiffs rely on their misrepresentations, these Defendants further willfully violated the CPPA by deception, fraud, misrepresentation, knowing concealment, and/or suppression and omission of material facts related to the sale of consumer realty to the Plaintiffs. Defendants' conduct was so outrageous as to constitute ill will, bad motive and reckless indifference to the interests of the consumers and was specifically designed to induce Plaintiffs to buy the defective condominium units at King's Court.

151. Plaintiffs are among the class of people the CPPA is designed to protect.

152. Plaintiffs have suffered damages as a direct and proximate result of these acts and/or omissions by these Defendants in violation of the CPPA, as described herein.

153. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (b) compensatory damages in an amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) \$10,000,000.00 for punitive damages;
- (e) pre- and post-judgment interest as permitted by law;
- (f) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (g) such other relief as this court may deem just and proper.

COUNT V
VIOLATION OF THE D.C. CONDOMINIUM ACT
(D.C. Code §§ 42-1901, *et seq.*)
(Developer Defendants)

154. Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

155. Pursuant to the District of Columbia Condominium Act, D.C. Code §§ 42-1901, *et seq.* (the “Condo Act”), Developer Defendants warranted that that “[a]ll renovation and alteration work to King’s Court, a condominium, was and is being performed . . . in accordance with applicable zoning ordinances, building codes housing codes and similar laws affecting the Condominium, or as otherwise approved by District of Columbia housing inspectors.”

156. In the Public Offering Statement, as required by the Condo Act, Developer Defendants further warranted each of the units against structural defects for two years from the date it was conveyed, and also warranted the common elements against structural defects for two years from the date of conveyance or the date the “renovations” were completed, whichever was later.

157. Contrary to their warranties and in violation of the Condo Act, Developer Defendants performed, or caused to be performed, renovation work without obtaining required construction permits from the District of Columbia government, in violation of applicable zoning ordinances, building codes, housing codes and similar laws affecting the Condominium, and without obtaining approval from District of Columbia housing inspectors.

158. As described herein, the condominium units and common elements contain structural defects and other deficiencies proximately caused by Developer Defendants’ failure to perform and/or shoddy construction practices.

159. In utter disregard of their warranties, from the date the above-described violations commenced to the date of the filing of this Second Amended Complaint, Developer Defendants have either delayed or refused to complete renovation of the common elements, despite Plaintiffs' repeated requests for them to do so.

160. Defendants, despite their representations in the Public Offering Statement, never intended to perform these repairs or otherwise honor their warranties. Beginning almost immediately after Developer Defendants conveyed the condominiums to Plaintiffs, and continuing until the date of this Second Amended Complaint, Defendants breached these warranties in that they have delayed, refused, and otherwise failed to make necessary and appropriate repairs.

161. Contrary to their affidavit stating that the Public Offering Statement is true and complete, and in violation of the Condo Act, the Public Offering Statement Developer Defendants submitted to the District of Columbia government and to Plaintiffs, contained material omissions and material misstatements of fact.

162. In violation of the Condo Act, Developer Defendants failed to provide most Plaintiffs with a copy of the Public Offering Statement prior to the conveyance of the condominiums to those Plaintiffs.

163. As a direct and proximate result of each such breach of warranty, Plaintiff suffered damages.

164. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) compensatory damages in an amount not less than \$10,000,000.00.
- (b) specific performance of the warranties;

- (c) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (d) pre- and post-judgment interest as permitted by law;
- (e) costs and attorneys fees reasonably incurred in connection with this action;

and

- (f) such other relief as this Court may deem just and proper.

PLAINTIFFS' FRAUD COUNTS

COUNT VI FRAUD AGAINST THE PLAINTIFFS (Developer Defendants)

165. Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

166. Through the course of conduct described in this Second Amended Complaint, the Developer Defendants intentionally deceived Plaintiffs and induced them both to purchase units in the King's Court condominium development and to apply for and execute mortgages on those units.

167. As alleged herein, Developer Defendants knowingly and intentionally represented that Plaintiffs would receive gutted and newly renovated condominiums in a well-maintained and safe complex.

168. As alleged herein, Developer Defendants sold Plaintiffs condominiums at inflated prices by inducing them to rely on, *inter alia*, a fraudulent Public Offering Statement and fraudulent real-estate appraisals;

169. As alleged herein, Developer Defendants knew that representations made in the Public Offering Statement and elsewhere were false when they made them.

170. Defendants made these statements to induce Plaintiffs to purchase defective condominiums from Defendants and to enter into mortgages that they could not afford.

171. Plaintiffs reasonably relied on these representations.

172. In fact, Plaintiffs received condo units that:

(a) have a roof so unstable that it was at risk of collapse, and in fact, has collapsed;

(b) have outdated and unsafe plumbing and heating systems;

(c) are contaminated with toxic mold that covers walls, ceilings and floors and has adversely affected the health of Plaintiffs, whose symptoms include dizziness, headaches, breathing problems, and asthma attacks;

(d) are riddled with stress fractures that, in some units, traverse entire walls, including load-bearing walls;

(e) experience major flooding and structural and property damage caused by serious water infiltration problems that appear to have continued over a significant period of time;

(f) contain an improperly installed water heater, which is undersized and distributes scalding hot water;

(g) contain copper pipes that are beyond their useful lives, improperly sized and overburdened by the load added to the system with the installation of individual washing machines in each unit, which cause leaks into the units below; and

(h) suffer from inadequate bathroom fixtures that leak into the units below, cause ceilings to collapse, and contribute to the mold and dampness problems.

173. Through such fraudulent statements and intentional misrepresentations, the Developer Defendants induced Plaintiffs into executing mortgages, incurring the resulting mortgage payments on such units, and accepting the liability for the ongoing repair of their units and of the common elements that had not been properly renovated.

174. As a result of the Developer Defendants' fraudulent inducement and other intentional wrongdoing, Plaintiffs did not receive a product of the quality, nature, or fitness that had been represented by the Defendants or that Plaintiffs, as reasonable consumers, expected. Plaintiffs, therefore, suffered damages.

175. As described herein, Developer Defendants knowingly made material omissions and/or false representations of material facts with the intent to deceive the Plaintiffs.

176. The Plaintiffs took action in reliance thereon, to their detriment.

177. Wherefore, Plaintiffs demand judgment against the Developer Defendants, jointly and severally, as follows:

- (a) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (b) compensatory damages in an amount not less than \$10,000,000.00;
- (c) punitive damages in an amount not less than \$10,000,000.00;
- (d) pre- and post-judgment interest as permitted by law;
- (e) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (f) such other relief as this court may deem just and proper.

COUNT VII
FRAUD AGAINST THE PLAINTIFFS
(Sales Agent Defendants)

178. Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

179. Through the course of conduct described in this Second Amended Complaint, the Sales Agent Defendants intentionally deceived Plaintiffs and induced them both to purchase units in the King's Court condominium development and to apply for and execute mortgages on those units.

180. As alleged herein, the Sales Agent Defendants knowingly and intentionally represented that Plaintiffs would receive gutted and newly renovated condominiums in a well-maintained and safe complex.

181. As alleged herein, Sales Agent Defendants sold and/or were an integral part of the scheme to sell Plaintiffs condominiums at inflated prices by inducing them to rely on, *inter alia*, a fraudulent Public Offering Statement and fraudulent real-estate appraisals.

182. As alleged herein, the Sales Agent Defendants knew that representations made in the Public Offering Statement and elsewhere were false when they made them.

183. Sales Agent Defendants made these statements to induce Plaintiffs to purchase defective condominiums from Defendants and to enter into mortgages that they could not afford.

184. Plaintiffs reasonably relied on these representations.

185. In fact, Plaintiffs received condo units that:

(a) have a roof so unstable that it was at risk of collapse, and in fact, has collapsed;

(b) have outdated and unsafe plumbing and heating systems;

(c) are contaminated with toxic mold that covers walls, ceilings and floors and has adversely affected the health of Plaintiffs, whose symptoms include dizziness, headaches, breathing problems, and asthma attacks;

(d) are riddled with stress fractures that, in some units, traverse entire walls, including load-bearing walls;

(e) experience major flooding and structural and property damage caused by serious water infiltration problems that appear to have continued over a significant period of time;

(f) contain an improperly installed water heater, which is undersized and distributes scalding hot water;

(g) contain copper pipes that are beyond their useful lives, improperly sized and overburdened by the load added to the system with the installation of individual washing machines in each unit, which cause leaks into the units below; and

(h) suffer from inadequate bathroom fixtures that leak into the units below, cause ceilings to collapse, and contribute to the mold and dampness problems.

186. Through such fraudulent statements and intentional misrepresentations, the Sales Agent Defendants induced Plaintiffs into executing mortgages, incurring the resulting mortgage payments on such units, and accepting the liability for the ongoing repair of their units and of the common elements that had not been properly renovated.

187. As a result of the Sales Agent Defendants' fraudulent inducement and other intentional wrongdoing, Plaintiffs did not receive a product of the quality, nature, or fitness that had been represented by the Defendants or that Plaintiffs, as reasonable consumers, expected. Plaintiffs, therefore, suffered damages.

188. As described herein, Sales Defendants knowingly made material omissions and/or false representations of material facts with the intent to deceive the Plaintiffs.

189. The Plaintiffs took action in reliance thereon, to their detriment.

190. Wherefore, Plaintiffs demand judgment against Sales Agent Defendants, jointly and severally, as follows:

- (a) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (b) compensatory damages in an amount not less than \$10,000,000.00;
- (c) punitive damages in an amount not less than \$10,000,000.00;
- (d) pre- and post-judgment interest as permitted by law;
- (e) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (f) such other relief as this court may deem just and proper.

**COUNT VIII
FRAUD AGAINST THE PLAINTIFFS
(Mortgage Defendants)**

191. Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

192. Through the course of conduct described in this Second Amended Complaint, Mortgage Defendants intentionally deceived Plaintiffs and induced them both to purchase units in the King's Court condominium development and to apply for and execute mortgages on those units.

193. Mortgage Defendants approved mortgages knowing or recklessly disregarding that the POS was fraudulent to induce Plaintiffs to purchase defective condominiums from Defendants and to enter into mortgages that they could not afford.

194. Plaintiffs reasonably relied on these representations.

195. In fact, Plaintiffs received condo units that:

- (a) have a roof so unstable that it was at risk of collapse, and in fact, has collapsed;

- (b) have outdated and unsafe plumbing and heating systems;
- (c) are contaminated with toxic mold that covers walls, ceilings and floors and has adversely affected the health of Plaintiffs, whose symptoms include dizziness, headaches, breathing problems, and asthma attacks;
- (d) are riddled with stress fractures that, in some units, traverse entire walls, including load-bearing walls;
- (e) experience major flooding and structural and property damage caused by serious water infiltration problems that appear to have continued over a significant period of time;
- (f) contain an improperly installed water heater, which is undersized and distributes scalding hot water;
- (g) contain copper pipes that are beyond their useful lives, improperly sized and overburdened by the load added to the system with the installation of individual washing machines in each unit, which cause leaks into the units below; and
- (h) suffer from inadequate bathroom fixtures that leak into the units below, cause ceilings to collapse, and contribute to the mold and dampness problems.

196. Through such fraudulent statements and intentional misrepresentations, Mortgage Defendants induced Plaintiffs into executing mortgages, incurring the resulting mortgage payments on such units, and accepting the liability for the ongoing repair of their units and of the common elements that had not been properly renovated.

197. As a result of Mortgage Defendants' fraudulent inducement and other intentional wrongdoing, Plaintiffs did not receive a product of the quality, nature, or fitness that had been

represented by the Defendants or that Plaintiffs, as reasonable consumers, expected. Plaintiffs, therefore, suffered damages.

198. As described herein, Mortgage Defendants knowingly made material omissions and/or false representations of material facts with the intent to deceive the Plaintiffs.

199. The Plaintiffs took action in reliance thereon, to their detriment.

200. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (b) compensatory damages in an amount not less than \$10,000,000.00;
- (c) punitive damages in an amount not less than \$10,000,000.00;
- (d) pre- and post-judgment interest as permitted by law;
- (e) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (f) such other relief as this court may deem just and proper.

COUNT IX
FRAUD AGAINST THE PLAINTIFFS
(Appraiser Defendant)

201. Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

202. Through the course of conduct described in this Second Amended Complaint, the Appraiser Defendant intentionally deceived Plaintiffs and induced them both to purchase units in the King's Court condominium development and to apply for and execute mortgages on those units.

203. As alleged herein, Appraiser Defendant knowingly and intentionally misrepresented that Plaintiffs would receive gutted and newly renovated condominiums in a well-maintained and safe complex.

204. Appraiser Defendant made fraudulent statements to induce Plaintiffs to purchase defective condominiums from Defendants and to enter into mortgages that they could not afford.

205. Plaintiffs reasonably relied on these representations.

206. In fact, Plaintiffs received condo units that:

(a) have a roof so unstable that it was at risk of collapse, and in fact, has collapsed;

(b) have outdated and unsafe plumbing and heating systems;

(c) are contaminated with toxic mold that covers walls, ceilings and floors and has adversely affected the health of Plaintiffs, whose symptoms include dizziness, headaches, breathing problems, and asthma attacks;

(d) are riddled with stress fractures that, in some units, traverse entire walls, including load-bearing walls;

(e) experience major flooding and structural and property damage caused by serious water infiltration problems that appear to have continued over a significant period of time;

(f) contain an improperly installed water heater, which is undersized and distributes scalding hot water;

(g) contain copper pipes that are beyond their useful lives, improperly sized and overburdened by the load added to the system with the installation of individual washing machines in each unit, which cause leaks into the units below; and

(h) suffer from inadequate bathroom fixtures that leak into the units below, cause ceilings to collapse, and contribute to the mold and dampness problems.

207. Through such fraudulent statements and intentional misrepresentations, Appraiser Defendant induced Plaintiffs into executing mortgages, incurring the resulting mortgage payments on such units, and accepting the liability for the ongoing repair of their units and of the common elements that had not been properly renovated.

208. As a result of Appraiser Defendant's fraudulent inducement and other intentional wrongdoing, Plaintiffs did not receive a product of the quality, nature, or fitness that had been represented by the Defendants or that Plaintiffs, as reasonable consumers, expected. Plaintiffs, therefore, suffered damages.

209. As described herein, Appraiser Defendant knowingly made material omissions and/or false representations of material facts with the intent to deceive the Plaintiffs.

210. The Plaintiffs took action in reliance thereon, to their detriment.

211. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (b) compensatory damages in an amount not less than \$10,000,000.00;
- (c) punitive damages in an amount not less than \$10,000,000.00;
- (d) pre- and post-judgment interest as permitted by law;
- (e) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (f) such other relief as this court may deem just and proper.

PLAINTIFFS' OTHER COMMON LAW COUNTS

**COUNT X
BREACH OF CONTRACT
(Developer Defendants)**

212. Plaintiffs reallege and incorporate by reference herein the allegations contained in the preceding paragraphs of this Second Amended Complaint.

213. Through the Public Offering Statement, Developer Defendants offered each Plaintiff a condominium that, *inter alia*, was “renovated” and constructed “in accordance with applicable zoning ordinances, building codes, housing codes and similar laws affecting the Condominium, or as otherwise approved by District of Columbia housing inspectors.”

214. Each Plaintiff entered into an agreement ("Purchase Agreement") with Defendants pursuant to which each Plaintiff agreed to pay the Defendants a certain amount, and the Defendants agreed to sell to each Plaintiff a King's Court condominium unit as represented in their offer.

215. Plaintiffs complied with their contractual obligations to purchase condominiums at King's Court pursuant to Purchase Agreements.

216. Many Plaintiffs lack the financial means to obtain housing of a quality equal to what Defendants were contracted to deliver.

217. Defendants, contrary to their obligations under the contract, provided Plaintiffs with condominium units that, among other deficiencies:

(a) have a roof so unstable that it was at risk of collapse and in fact, has collapsed;

(b) have outdated, inadequate and unsafe plumbing and heating systems;

(c) experience major flooding and structural and property damage caused by serious water infiltration problems that appear to have continued over a significant period of time;

(d) are contaminated with toxic mold; and

(e) lack proper and adequate ventilation.

218. Developer Defendants either directly or by virtue of their relationship with the other Developer Defendants, entered into one or more contracts with Plaintiffs as described herein.

219. Developer Defendants owed a duty to Plaintiffs to perform as indicated in these contracts.

220. Developer Defendants materially breached that duty as described herein.

221. As a direct and proximate result of the aforementioned breaches of contract, Plaintiffs have suffered damages.

222. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

(a) compensatory damages in an amount not less than \$10,000,000.00;

(b) specific performance of the Purchase Agreements;

(c) rescission and restitution to place the Plaintiffs in *status quo ante*;

(d) punitive damages in the amount not less than \$10,000,000.00;

(e) pre- and post-judgment interest as permitted by law;

(f) costs and attorneys fees reasonably incurred in connection with this action;

and

(g) such other relief as this Court may deem just and proper.

COUNT XI
BREACH OF THE IMPLIED DUTY OF GOOD FAITH AND FAIR DEALING
(Developer Defendants)

223. Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

224. As alleged herein, Developer Defendants entered into contract with Plaintiffs whereby Defendants would sell and Plaintiffs would purchase condominiums at King's Court. Defendants represented these condominiums to be "newly renovated" and that all renovation had been performed in accordance with applicable zoning ordinances, building codes, housing codes and similar laws, or as otherwise approved by District of Columbia housing inspectors.

225. Each contract contained an implied duty of good faith and fair dealing that the parties would deal fairly and honestly with each other and would not do anything that would have the effect of destroying or injuring the right of the other party to receive the fruits of the contract.

226. As these Defendants then knew, the King's Court condominium complex, including individual units and the common elements, were in significant disrepair and required significant capital to repair and maintain. As alleged herein, Defendants never intended to properly renovate the complex. Defendants also withheld from Plaintiffs their determination not to renovate and their intention to convey to Plaintiffs condominiums and common elements that were in significant disrepair.

227. These Defendants thereby breached their duty of good faith and fair dealing with Plaintiffs by, *inter alia*, affirmatively misrepresenting and withholding from Plaintiffs the true and accurate condition of the King's Court condominium development.

228. Developer Defendants either directly or by virtue of their relationship with the other Developer Defendants, entered into one or more contracts with Plaintiffs as described herein.

229. Developer Defendants owed a duty of good faith and fair dealing to Plaintiffs by virtue of their entering into these contracts.

230. Developer Defendants materially breached that duty as described herein.

231. As a direct and proximate result of these Defendants' breach of their duty of good faith and fair dealing, Plaintiffs have suffered damages.

232. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) compensatory damages in the amount not less than \$10,000,000.00;
- (b) punitive damages not less than \$10,000,000.00;
- (c) pre- and post-judgment interest as permitted by law;
- (d) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (e) such other relief as this Court may deem just and proper.

**COUNT XII
BREACH OF EXPRESS WARRANTY
(Developer Defendants)**

233. Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

234. Pursuant to the Purchase Agreements with Plaintiffs, Developer Defendants warranted in writing that “[a]ll renovation and alteration work to King’s Court a condominium, was and is being performed . . . in accordance with applicable zoning ordinances, building codes

235. Developer Defendants in writing further warranted each of the units against structural defects for two years from the date each unit was conveyed or the date that the “renovations” to the unit was completed, whichever was later.

236. Developer Defendants, in writing, further warranted the common elements against structural defects for two years from the date they were conveyed or the date that the “renovations” to the common areas were completed, whichever was later.

237. Even after Plaintiffs purchased their units, Defendants continued making these express warranties, and such warranties have continued to the date of the filing of this Second Amended Complaint.

238. As described herein, Developer Defendants performed, or caused to be performed, renovation work without obtaining required construction permits from the District of Columbia government. This renovation work was done in violation of applicable zoning ordinances, building codes, housing codes and similar laws affecting the Condominium and without obtaining approval from District of Columbia housing inspectors.

239. From the date the above-described violations commenced to the date of the filing of this Second Amended Complaint, Developer Defendants have delayed completion, or have refused to complete, renovation of the common elements, despite Plaintiffs’ repeated requests for them to do so.

240. As described herein, the King’s Court condominium units and common elements contain structural defects and other deficiencies proximately caused by Developer Defendants’ failure to perform and/or shoddy construction practices.

241. From the date the above-described violations commenced, to the date of the filing of this Second Amended Complaint, Developer Defendants have either delayed or refused to repair these defects, despite Plaintiffs repeated requests for them to do so.

242. Beginning immediately after Developer Defendants conveyed the condominiums to Plaintiffs, and continuing until the date of this Second Amended Complaint, Defendants breached these warranties in that they have refused and otherwise failed to make necessary and appropriate repairs in a timely manner.

243. In choosing to buy condominium units at King's Court, Plaintiffs relied on the skill, judgment, representations and foregoing, express warranties of the Defendants.

244. Developer Defendants either directly or by virtue of their relationship with the other Developer Defendants, entered into one or more contracts containing express warranties with Plaintiffs as described herein.

245. Developer Defendants owed a duty to Plaintiffs to honor the express warranties included in these contracts.

246. Developer Defendants materially breached that duty as described herein.

247. As a direct and proximate result of such breach of warranty, Plaintiffs are at an increased risk of harm in their unfit and unsafe dwelling units, of defaulting on their mortgages, and have suffered damages.

248. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) compensatory damages in an amount not less than \$10,000,000.00;
- (b) specific performance of the warranties;
- (c) rescission and restitution to place the Plaintiffs in *status quo ante*;

- (d) pre- and post-judgment interest as permitted by law;
- (e) costs and attorneys fees reasonably incurred in connection with this action;

and

- (f) such other relief as this Court may deem just and proper.

COUNT XIII
BREACH OF IMPLIED WARRANTIES OF FITNESS FOR PARTICULAR PURPOSE,
MERCHANTABILITY AND HABITABILITY
(Developer Defendants)

249. Plaintiffs reallege and incorporate by reference herein the allegations contained in the preceding paragraphs of this Second Amended Complaint and further allege:

250. In marketing and selling condominiums at King's Court to Plaintiffs, Developer Defendants expressly and/or impliedly warranted that the condominiums were safe and fit for a particular use, that is, for habitation, and that they were of a merchantable quality.

251. In fact, when Defendants placed them in commerce, the condominiums and common elements were defective, in that, *inter alia*;

- (a) renovations and repairs to both the condominium units and the common elements were performed in a non-workmanlike manner, as alleged herein;

- (b) major systems, including plumbing, heating and electric were, and continue to be, dangerous, inoperable and on the verge of failure;

- (c) the roof of the building that comprises King's Court was so structurally unsound that it was at risk of and has since collapsed; and

- (d) the basement units and mechanical room experienced major flooding and structural and property damage caused by serious water infiltration problems that appear to have continued over a significant period of time.

252. As first-time homebuyers, Plaintiffs were, unskilled in the purchase of the King's Court condominium units and reasonably relied on the skill, judgment and implied warranties of the Defendants.

253. Developer Defendants either directly or by virtue of their relationship with the other Developer Defendants, entered into one or more contracts containing implied warranties of fitness for a particular purpose, merchantability and habitability with Plaintiffs as described herein.

254. Developer Defendants owed a duty to Plaintiffs to honor the implied warranties included in these contracts.

255. Developer Defendants materially breached that duty as described herein.

256. As a direct and proximate result of the defective condition of the property and Defendants' breaches of warranties, Plaintiffs have suffered damages.

257. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) for compensatory damages in an amount not less than \$10,000,000.00;
- (b) specific performance of the warranties;
- (c) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (d) pre- and post-judgment interest as permitted by law;
- (e) costs and attorneys fees reasonably incurred in connection with this action;

and

- (f) such other relief as this Court may deem just and proper.

**COUNT XIV
NEGLIGENCE
(Developer Defendants)**

258. The Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

259. At all relevant times, all Developer Defendants owed Plaintiffs a duty to exercise ordinary care in performing all construction and renovation work at King's Court in a workmanlike manner and in compliance with all District of Columbia codes.

260. Contrary to their duties, the Defendants were guilty of shoddy construction practices, including, *inter alia*, failing to repair and/or creating:

- (a) a roof so unstable that it was at risk of collapse, and in fact, has collapsed;
- (b) outdated, unsafe and inadequate plumbing and heating systems;
- (c) improper and inadequate ventilation;
- (d) structural and property damage caused by repeated leaks in undersized copper pipes that run throughout the complex; and
- (e) major flooding and structural and property damage caused by serious water infiltration problems that appear to have continued over a significant period of time.

261. Defendants breached their statutory duties to Plaintiffs in the following respects:

- (a) under D.C. Code § 42-1904.04, a condominium Purchase Offering Statement ("POS") must fully and accurately disclose the characteristics of condominium units offered for sale. Defendants' POS provided false disclosure regarding the condition of the King's Crossing units by misrepresenting critical facts regarding smoke detectors, ventilation and the condition of the roof.

(b) Defendants' POS failed to disclose that the units being sold were in substandard condition, infested with mold due to serious water infiltration, and presented a danger to the health of future occupants; and

(c) construction and renovation work that Defendants did "perform" on King's Court violated a number of provisions of the District of Columbia's zoning, building and housing codes including, but not limited to:

(i) clothes washers in kitchens are connected with one-half inch water piping, in violation of the District of Columbia Plumbing Code which requires three-quarter inch water piping;

(ii) kitchen and bath ventilation systems that are inoperable and, thereby in violation of the District of Columbia Housing Code;

(iii) mold build-up in corridors, boiler rooms, and living units, also violating the District of Columbia Housing Code; and

(iv) the basement storage room that lacks sprinklers or fire separation walls, in direct violation of the District of Columbia Fire Code.

262. The regulations and codes cited above supplied a standard of care governing Defendants' renovation, repair and maintenance of the condominium units and the offering of such units for sale to the public.

263. These regulations and codes were intended to protect persons in Plaintiffs' positions – purchasers of condominium units – and prevent the type of injuries that Plaintiffs suffered here which was ownership of substandard and unsafe condominiums.

264. Defendants' breach of their statutory duties to Plaintiffs by failing to exercise ordinary care as described herein, constitutes negligence.

265. As a direct and proximate result of Defendants' negligent conduct, Plaintiffs suffered damages.

266. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) compensatory damages in the amount not less than \$10,000,000.00;
- (b) pre- and post-judgment interest as permitted by law;
- (c) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (d) such other relief as this court may deem just and proper.

**COUNT XV
NEGLIGENCE
(Sales Agent Defendants)**

267. Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

268. At all relevant times, Sales Agent Defendants owed Plaintiffs a duty to exercise ordinary care in the marketing, selling, advertising, warning and otherwise promoting of the condominium units to Plaintiffs.

269. Contrary to their duty, the Defendants were guilty of one or more of the following careless and/or reckless acts and/or omissions:

- (a) failed to adequately inspect the condominium units and common elements to ascertain whether or not they were safe and proper for the purpose for which they were designed and sold;
- (b) denied Plaintiffs proper access to common areas prior to purchase, purposely and deceptively concealing, the extent of the disrepair in those areas;

(c) concealed and suppressed facts material to the true characteristics, standards and quality of the condominium units;

(d) provided deflated estimates of costs in owning and maintaining the units and common areas; and

(e) assisted Plaintiffs through each step of the mortgage approval process, leading Plaintiffs to believe they were adequately and fairly represented when, in fact, they were not.

270. Defendants' breach of their duty to Plaintiffs by failing to exercise ordinary care, as described herein, constitutes negligence.

271. As a direct and proximate result of Defendants' negligence, Plaintiffs suffered damages.

272. Wherefore, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) compensatory damages in the amount not less than \$10,000,000.00;
- (b) pre- and post-judgment interest as permitted by law;
- (c) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (d) such other relief as this court may deem just and proper.

**COUNT XVI
CONSPIRACY
(Developer Defendants)**

273. The Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

274. Developer Defendants conspired with each other to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **Violation of the D.C. Consumer Protection Procedures Act**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference;

(b) **Violation of the D.C. Condominium Act**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference;

(c) **Breach of Contract**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference; and

(d) **Breach of Warranty**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference.

275. Developer Defendants conspired with each other and with Sales Agent Defendants to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **Breach of the Covenant of Good Faith and Fair Dealing**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference;

276. Developer Defendants conspired with each other and with Sales Agent Defendants, Mortgage Defendants, and Appraiser Defendant to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **Fraudulent Inducement**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference; and

(b) **Fraudulent Concealment**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference.

277. As a result of the Developer Defendants' conspiracy and agreement to participate in the above-described conduct, Plaintiff suffered damages.

278. Wherefore, Plaintiffs demand judgment against Developer Defendants, jointly and severally, as follows:

- (a) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (b) compensatory damages in the amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) emotional damages;
- (e) pre- and post-judgment interest as permitted by law; and
- (f) \$10,000,000.00 for punitive damages;
- (g) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (h) such other relief as this Court may deem just and proper.

COUNT XVII
CONSPIRACY
(Sales Agent Defendants)

279. The Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

280. Sales Agent Defendants conspired with each other and with Developer Defendants to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **Breach of the Covenant of Good Faith and Fair Dealing**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference;

281. Sales Agent Defendants conspired with each other and with Developer Defendants, Mortgage Defendants and Appraiser Defendant to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **Fraudulent Inducement**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference; and

(b) **Fraudulent Concealment**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference.

282. As a result of Sales Agent Defendants' conspiracy and agreement to participate in the above-described conduct, Plaintiff suffered damages.

283. Wherefore, Plaintiffs demand judgment against Sales Agent Defendants, jointly and severally, as follows:

- (a) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (b) compensatory damages in the amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) emotional damages;
- (e) pre- and post-judgment interest as permitted by law; and
- (f) \$10,000,000.00 for punitive damages;
- (g) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (h) such other relief as this Court may deem just and proper.

**COUNT XVIII
CONSPIRACY
(Mortgage Defendants)**

284. The Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

285. Mortgage Defendants conspired with each other and with Developer Defendants, Sales Agent Defendants, and Appraiser Defendant to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **Fraudulent Inducement**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference; and

(b) **Fraudulent Concealment**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference.

286. As a result of the Mortgage Defendants' conspiracy and agreement to participate in the above-described conduct, Plaintiff suffered damages.

287. Wherefore, Plaintiffs demand judgment against Mortgage Defendants, jointly and severally, as follows:

- (a) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (b) compensatory damages in the amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) emotional damages;
- (e) pre- and post-judgment interest as permitted by law; and
- (f) \$10,000,000.00 for punitive damages;
- (g) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (h) such other relief as this Court may deem just and proper.

**COUNT XIX
CONSPIRACY
(Appraiser Defendant)**

288. The Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

289. Appraiser Defendant conspired with Developer Defendants, Sales Agent Defendants, and Mortgage Defendants to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **Fraudulent Inducement**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference; and

(b) **Fraudulent Concealment**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference.

290. As a result of Appraiser Defendant's conspiracy and agreement to participate in the above-described conduct, Plaintiff suffered damages.

291. Wherefore, Plaintiffs demand judgment against Appraiser Defendant, jointly and severally, as follows:

- (a) rescission and restitution to place the Plaintiffs in *status quo ante*;
- (b) compensatory damages in the amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) emotional damages;
- (e) pre- and post-judgment interest as permitted by law; and
- (f) \$10,000,000.00 for punitive damages;
- (g) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (h) such other relief as this Court may deem just and proper.

COUNTS ON BEHALF OF THE ASSOCIATION PLAINTIFFS

ASSOCIATION PLAINTIFFS' STATUTORY COUNTS

COUNT XX

VIOLATION OF THE D.C. CONSUMER PROTECTION PROCEDURES ACT

(D.C. Code §§ 28-3901, *et seq.*)

(Developer Defendants)

292. Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

293. The Developer Defendants violated the District of Columbia Consumer Protection Procedures Act, D.C. Code §§ 28-3901, *et seq.* (the "CPPA"), enacted to assure that a just mechanism exists to remedy all improper trade practices, deter the continuing use of such practices and promote fair business practices throughout the community. D.C. Code § 28-2904.

294. These Defendants willfully violated the CPPA by, *inter alia*, misrepresenting consumer realty, that is, the King's Court condominium development and its condominiums in that they:

(a) engaged in unfair or deceptive acts or practices in violation of any and all consumer protection statutes when Defendants represented, through advertising, warranties, and other express representations, that the King's Court condominium units had benefits or characteristics that they did not actually have;

(b) falsely represented that the King's Court condominium units were of a particular standard or quality when they were not by:

(i) representing that fixtures and accessories presented as part of the King's Court condominium development and its condominiums were of particular standard, quality, grade, style, or model, when, in fact, they were significantly and materially deteriorated from that standard, quality, grade, style, or model;

(ii) representing that fixtures and accessories presented as part of the King's Court condominium development and its condominiums were original or new when, in fact, they were deteriorated, second hand, and used.

(c) further violated consumer protection statutes when Defendants advertised the King's Court condominium units with the intent not to sell them as advertised and, in so doing, Defendants concealed and suppressed facts material to the true characteristics, standards and quality of the condominium units by:

(i) failing to state that the purchase of a condominium unit included purchase of its common elements and that those common elements were in various stages of disrepair. Defendants willfully and deceptively denied Plaintiffs access to the common elements prior to purchase, preventing them from knowing the extent of the disrepair and purposely withheld from first-time homebuyer Plaintiffs their pending ownership of and responsibility for the under-rehabilitated common elements; and

(ii) advertising and offering "free computers" with the purchase of condominium units without the intent to give Plaintiffs computers with their purchase.

(d) misrepresented that they had approvals and certification, by DCRA and other D.C. authorities, pertaining to licenses, codes, and permission to renovate and sell properties they did not have.

295. Intending that the Association Plaintiffs rely on their misrepresentations, these Defendants further willfully violated the CPPA by deception, fraud, false pretense, false promise, misrepresentation, knowing concealment, and/or suppression and omission of material facts related to the promotion and sale of consumer realty and its subsequent performance with respect to the sale of the property to the Plaintiffs in this case and subsequent transfer of responsibility for the maintenance of the property from the Developer Defendants to the Association. Defendants' conduct was so outrageous as to constitute ill will, bad motive and reckless indifference to the interests of the consumers and was specifically designed to induce Association Plaintiffs to accept responsibility for the defective King's Court complex.

296. Association Plaintiffs are among the class of those the CPPA is designed to protect.

297. Association Plaintiffs have suffered damages as a direct and proximate result of these acts and omissions by these Defendants in violation of the CPPA, as described herein.

298. Wherefore, Association Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) rescission and/or restitution to place the Association Plaintiffs in *status quo ante*;
- (b) compensatory damages in an amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) \$10,000,000.00 for punitive damages;
- (e) pre- and post-judgment interest as permitted by law;
- (f) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (g) such other relief as this court may deem just and proper.

COUNT XXI
VIOLATION OF THE D.C. CONSUMER PROTECTION PROCEDURES ACT
(D.C. Code §§ 28-3901, *et seq.*)
(Sales Agent Defendants)

299. Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

300. The Sales Agent Defendants violated the District of Columbia Consumer Protection Procedures Act, D.C. Code §§ 28-3901, *et seq.* (the "CPPA"), enacted to assure that a just mechanism exists to remedy all improper trade practices, deter the continuing use of such practices and promote fair business practices throughout the community. D.C. Code §28-2904.

301. These Defendants willfully violated the CPPA by, *inter alia*, misrepresenting consumer realty, that is, the King's Court condominium development and its condominiums in that they:

(a) engaged in unfair or deceptive acts or practices in violation of any and all consumer protection statutes when Defendants represented, through advertising, warranties, and other express representations, that the King's Court condominium units had benefits or characteristics that they did not actually have;

(b) violated consumer protections statutes when Defendants falsely represented that the King's Court condominium units were of a particular standard or quality when they were not by:

(i) representing that fixtures and accessories presented as part of the King's Court condominium development and its condominiums were of particular standard, quality, grade, style, or model, when, in fact, they were significantly and materially deteriorated from that standard, quality, grade, style, or model; and

(ii) representing that fixtures and accessories presented as part of the King's Court condominium development and its condominiums were original or new when, in fact, they were deteriorated, second hand, and used.

(c) further violated consumer protection statutes when Defendants advertised the King's Court condominium units with the intent not to sell them as advertised and, in so doing, Defendants concealed and suppressed facts material to the true characteristics, standards and quality of the condominium units by:

(i) failing to state that the purchase of a condominium unit included purchase of its common elements and that those common elements were in various stages of disrepair. Defendants willfully and deceptively denied Plaintiffs access to the common elements prior to purchase, preventing them from knowing the extent of the disrepair and purposely withheld from first-time homebuyer Plaintiffs their pending ownership of and responsibility for the under-rehabilitated common elements; and

(ii) advertising and offering "free computers" with the purchase of condominium units without the intent to give Plaintiffs computers with their purchase.

(d) misrepresented that they had approvals and certification, by DCRA and other D.C. authorities, pertaining to licenses, codes, and permission to renovate and sell properties they did not have.

302. Intending that the Association Plaintiffs rely on their misrepresentations, these Defendants further willfully violated the CPPA by deception, fraud, false pretense, false promise, misrepresentation, knowing concealment, and/or suppression and omission of material facts related to the promotion and sale of consumer realty and its subsequent performance with respect to the sale of the property to the Plaintiffs in this case and subsequent transfer of responsibility

for the maintenance of the property from the Developer Defendants to the Association Plaintiffs. Defendants' conduct was so outrageous as to constitute ill will, bad motive and reckless indifference to the interests of the consumers and was specifically designed to induce Association Plaintiffs to accept responsibility for the defective King's Court complex.

303. Association Plaintiffs are among the class of those the CPPA is designed to protect.

304. Association Plaintiffs have suffered damages as a direct and proximate result of these acts and omissions by these Defendants in violation of the CPPA, as described herein.

305. Wherefore, Association Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) rescission and/or restitution to place the Plaintiff Association in *status quo ante*;
- (b) compensatory damages in an amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) \$10,000,000.00 for punitive damages;
- (e) pre- and post-judgment interest as permitted by law;
- (f) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (g) such other relief as this court may deem just and proper.

COUNT XXII
VIOLATION OF THE D.C. CONSUMER PROTECTION PROCEDURES ACT
(D.C. Code §§ 28-3901, *et seq.*)
(Mortgage Defendants)

306. Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

307. The Mortgage Defendants violated the District of Columbia Consumer Protection Procedures Act, D.C. Code §§ 28-3901, *et seq.* (the “CPPA”), enacted to assure that a just mechanism exists to remedy all improper trade practices, deter the continuing use of such practices and promote fair business practices throughout the community. D.C. Code §28-2904.

308. These Defendants willfully violated the CPPA by, *inter alia*:

(a) unconscionably approving loans for the Plaintiffs as described herein where the Mortgage Defendants:

(i) knew that the Plaintiff Association was comprised of individual purchasers of King’s Court condominium units, all of whom were first-time homebuyers;

(ii) knew that the actual condition of the King’s Court property was substantially worse than was represented to prospective buyers of King’s Court condominium units and that such condition was fraudulently concealed and/or misrepresented to Plaintiffs;

(iii) knew that it would require significant additional funds to repair the dangerously sub-standard conditions of the King’s Court property; and

(iv) knew that the fee-structure created by the Developer Defendants and set out in the POS was insufficient to provide for the maintenance and repair the King’s Court property because of its decrepit condition.

309. Intending that the Plaintiffs rely on the Mortgage Defendants’ approval of their loan applications as an enticement to enter into mortgage agreements for the purchase of the sub-standard King’s Court condominium units, the Mortgage Defendants further willfully violated the CPPA by deception, fraud, false pretense, false promise, misrepresentation, knowing concealment, and/or suppression and omission of material facts related to the promotion and sale of consumer realty.

310. Defendants' conduct was so outrageous as to constitute ill will, bad motive and reckless indifference to the interests of the consumers.

311. Association Plaintiffs are among the class of those the CPPA is designed to protect.

312. Association Plaintiffs have suffered damages as a direct and proximate result of these acts and/or omissions by the Mortgage Defendants in violation of the CPPA, as described herein.

313. Wherefore, Association Plaintiffs demand judgment against Mortgage Defendants, jointly and severally, as follows:

- (a) rescission and/or restitution to place the Association Plaintiffs in *status quo ante*;
- (b) compensatory damages in an amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) \$10,000,000.00 for punitive damages;
- (e) pre- and post-judgment interest as permitted by law;
- (f) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (g) such other relief as this court may deem just and proper.

COUNT XXIII
VIOLATION OF THE D.C. CONDOMINIUM ACT
(D.C. Code §§ 42-1901, *et seq.*)
(Developer Defendants)

314. Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

315. Pursuant to the District of Columbia Condominium Act, D.C. Code §§ 42-1901, *et seq.* (the "Condo Act"), Developer Defendants warranted that that "[a]ll renovation and

alteration work to King's Court, a condominium, was and is being performed . . . in accordance with applicable zoning ordinances, building codes housing codes and similar laws affecting the Condominium, or as otherwise approved by District of Columbia housing inspectors.”

316. In the Public Offering Statement, as required by the Condo Act, Developer Defendants further warranted each of the units against structural defects for two years from the date it was conveyed and also warranted the common elements against structural defects for two years from the date they were completed.

317. Contrary to their warranties and in violation of the Condo Act, Developer Defendants performed, or caused to be performed, renovation work without obtaining required construction permits from the District of Columbia government, in violation of applicable zoning ordinances, building codes, housing codes and similar laws affecting the Condominium, and without obtaining approval from District of Columbia housing inspectors.

318. As described herein, the condominium units and common elements contain structural defects and other deficiencies proximately caused by Developer Defendants' failure to perform and/or shoddy construction practices.

319. In utter disregard of their warranties, from the date the above-described violations commenced to the date of the filing of this Second Amended Complaint, Developer Defendants have either delayed or refused to complete renovation of the common elements, despite Association Plaintiffs' repeated requests for them to do so.

320. Defendants, despite their representations in the Public Offering Statement, never intended to perform these repairs or otherwise honor their warranties. Beginning almost immediately after Developer Defendants conveyed the condominiums to Plaintiffs, and continuing until the date of this Second Amended Complaint, Defendants breached these

321. Contrary to their affidavit stating that the Public Offering Statement is true and complete, and in violation of the Condo Act, the Public Offering Statement Developer Defendants submitted to the District of Columbia government and to Plaintiffs and Association Plaintiffs contained material omissions and material mis-statements of fact.

322. In violation of the Condo Act, Developer Defendants failed to provide most Plaintiffs and Association Plaintiffs with a copy of the Public Offering Statement prior to their conveyance of condominiums to those Plaintiffs and the transfer of the responsibility for the maintenance of the property from the Developer Defendants to the Association Plaintiffs.

323. As a direct and proximate result of each such breach of warranty, Association Plaintiffs suffered damages.

324. Wherefore, Association Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) compensatory damages in an amount not less than \$10,000,000.00.
 - (b) specific performance of the warranties;
 - (c) rescission and/or restitution to place the Plaintiff Association in *status quo ante*;
 - (d) pre- and post-judgment interest as permitted by law;
 - (e) costs and attorneys fees reasonably incurred in connection with this action;
- and
- (f) such other relief as this Court may deem just and proper.

ASSOCIATION PLAINTIFFS' INDIVIDUAL FRAUD COUNTS

**COUNT XXIV
FRAUD AGAINST THE ASSOCIATION PLAINTIFFS
(Developer Defendants)**

325. Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

326. The Association's capitalization was based upon the Developer Defendants' representations in the Public Offering Statement and the condominium fees that Developer Defendants established and that Sales Agents promoted for each unit.

327. The Association reasonably relied on Developer Defendants' representations in the Public Offering Statement and their estimation of condominium fees.

328. As these Defendants then knew or should have known, the King's Court condominium complex was in significant disrepair and required significant capital to repair and maintain.

329. As these Defendants then knew and intended, the Association would be under-capitalized for such repair and maintenance, and Plaintiffs would be financially unable to pay condominium fees in an amount necessary to correct such under-capitalization.

330. These Defendants fraudulently induced the Association to assume Defendants' obligations to operate and maintain the condominium complex by, *inter alia*, withholding from Plaintiffs and the Association Plaintiffs the true and accurate condition of the King's Court condominium development.

331. As a result of Developer Defendants' fraudulent inducement, the Association suffered financial difficulties and other damages.

332. As described herein, Developer Defendants knowingly made material omissions and/or false representations of material facts with the intent to deceive the Association Plaintiffs.

333. The Association Plaintiffs took action in reliance thereon, to their detriment.

334. Wherefore, Association Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) compensatory damages in an amount not less than \$10,000,000.00;
- (b) specific performance of the warranties;
- (c) punitive damages in an amount not less than \$10,000,000.00;
- (d) pre- and post-judgment interest as permitted by law;
- (e) costs and attorneys fees reasonably incurred in connection with this action;

and

- (f) such other relief as this Court may deem just and proper.

COUNT XXV
FRAUD AGAINST THE ASSOCIATION PLAINTIFFS
(Sales Agent Defendants)

335. Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

336. The Association's capitalization was based upon the representations in the Public Offering Statement and the condominium fees that Developer Defendants established and that Sales Agents promoted for each unit.

337. The Association reasonably relied on representations in the Public Offering Statement and their estimation of condominium fees.

338. As these Defendants then knew or should have known, the King's Court condominium complex was in significant disrepair and required significant capital to repair and maintain.

339. As these Defendants then knew and intended, the Association would be under-capitalized for such repair and maintenance, and Plaintiffs would be financially unable to pay condominium fees in an amount necessary to correct such under-capitalization.

340. These Defendants fraudulently induced the Association to assume Defendants' obligations to operate and maintain the condominium complex by, *inter alia*, withholding from Plaintiffs and the Association the true and accurate condition of the King's Court condominium development.

341. As a result of Sales Agent Defendants' fraudulent inducement, the Association suffered financial difficulties and other damages.

342. As described herein, Sales Agent Defendants knowingly made material omissions and/or false representations of material facts with the intent to deceive the Association Plaintiffs.

343. The Association Plaintiffs took action in reliance thereon, to their detriment.

344. Wherefore, Association Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) compensatory damages in an amount not less than \$10,000,000.00;
- (b) specific performance of the warranties;
- (c) punitive damages in an amount not less than \$10,000,000.00;
- (d) pre- and post-judgment interest as permitted by law;
- (e) costs and attorneys fees reasonably incurred in connection with this action;

and

(f) such other relief as this Court may deem just and proper.

ASSOCIATION PLAINTIFFS' OTHER INDIVIDUAL COMMON LAW COUNTS

**COUNT XXVI
BREACH OF CONTRACT
(Developer Defendants)**

345. Association Plaintiffs reallege and incorporate by reference herein the allegations contained in the preceding paragraphs of this Second Amended Complaint and further charge:

346. Through the Public Offering Statement, Developer Defendants offered each Plaintiff a condominium that, *inter alia*, was “renovated” and constructed “in accordance with applicable zoning ordinances, building codes, housing codes and similar laws affecting the Condominium, or as otherwise approved by District of Columbia housing inspectors.”

347. Each Plaintiff entered into an agreement (“Purchase Agreement”) with Defendants pursuant to which each Plaintiff agreed to pay the Defendants a certain amount, and the Defendants agreed to sell to each Plaintiff a King's Court condominium unit as represented in their offer.

348. The POS provided for the creation of and established the By-laws for the Association. Because of this relationship, the Developer Defendants owe the same duties to the Association that they owe to the Plaintiffs with regard to King’s Court.

349. Plaintiffs complied with their contractual obligations to purchase condominiums at King’s Court pursuant to Purchase Agreements.

350. Defendants, contrary to their obligations under the contract, provided Plaintiffs with condominium units and Plaintiff Association with common areas that, among other deficiencies:

(a) have a roof so unstable that it was at risk of collapse and in fact, has collapsed;

(b) have outdated, inadequate and unsafe plumbing and heating systems;

(c) experience major flooding and structural and property damage caused by serious water infiltration problems that appear to have continued over a significant period of time;

(d) are contaminated with toxic mold; and

(e) lack proper and adequate ventilation.

351. Developer Defendants either directly or by virtue of their relationship with the other Developer Defendants, entered into one or more contracts with Plaintiffs, and thus Plaintiff Association as described herein.

352. Developer Defendants owed a duty to Plaintiffs and to Plaintiff Association to perform as indicated in these contracts.

353. Developer Defendants materially breached that duty as described herein.

354. As a direct and proximate result of the aforementioned breaches of contract, Association Plaintiffs have suffered damages.

355. Wherefore, Association Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

(a) compensatory damages in an amount not less than \$10,000,000.00;

(b) specific performance of the Purchase Agreements with Plaintiffs;

(c) rescission and/or restitution to place the Association Plaintiffs in *status quo ante*;

(d) punitive damages in the amount not less than \$10,000,000.00;

- (e) pre- and post-judgment interest as permitted by law;
- (f) costs and attorneys fees reasonably incurred in connection with this action;

and

- (g) such other relief as this Court may deem just and proper.

COUNT XXVII
BREACH OF THE IMPLIED DUTY OF GOOD FAITH AND FAIR DEALING
(Developer Defendants)

356. Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

357. As alleged herein, Developer Defendants entered into contracts with Plaintiffs whereby Defendants would sell and Plaintiffs would purchase condominiums at King's Court. Defendants represented these condominiums to be "newly renovated" and that all renovation had been performed in accordance with applicable zoning ordinances, building codes, housing codes and similar laws, or as otherwise approved by District of Columbia housing inspectors.

358. The POS provided for the creation of and established the By-laws for the Association. Because of this relationship, the Developer Defendants owe the same duties to the Association that they owe to the Plaintiffs with regard to King's Court.

359. Each contract contained an implied duty of good faith and fair dealing that the parties would deal fairly and honestly with each other and would not do anything that would have the effect of destroying or injuring the right of the other party to receive the fruits of the contract.

360. As these Defendants then knew, the King's Court condominium complex, including individual units and the common elements, were in significant disrepair and required significant capital to repair and maintain. As alleged herein, Defendants never intended to

properly renovate the complex. Defendants also withheld from Plaintiffs and Plaintiff Association their determination not to renovate and their intention to convey to Plaintiffs and Plaintiff Association condominiums and common elements that were in significant disrepair.

361. These Defendants thereby breached their duty of good faith and fair dealing with Plaintiffs and Plaintiff Association by, *inter alia*, affirmatively misrepresenting and withholding from Plaintiffs and Plaintiff Association the true and accurate condition of the King's Court condominium development.

362. Developer Defendants either directly or by virtue of their relationship with the other Developer Defendants, entered into one or more contracts with Plaintiffs, and thus, Plaintiff Association as described herein.

363. Developer Defendants owed a duty of good faith and fair dealing to Plaintiffs and Plaintiff Association by virtue of their entering into these contracts.

364. Developer Defendants materially breached that duty as described herein.

365. As a direct and proximate result of these Defendants' breach of their duty of good faith and fair dealing, Association Plaintiffs have suffered damages.

366. Wherefore, Association Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) compensatory damages in the amount not less than \$10,000,000.00;
- (b) punitive damages not less than \$10,000,000.00;
- (c) pre- and post-judgment interest as permitted by law;
- (d) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (e) such other relief as this Court may deem just and proper.

**COUNT XXVIII
BREACH OF EXPRESS WARRANTY
(Developer Defendants)**

367. Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

368. Pursuant to the Purchase Agreements with Plaintiffs, Developer Defendants warranted in writing that “[a]ll renovation and alteration work to King’s Court a condominium, was and is being performed . . . in accordance with applicable zoning ordinances, building codes housing codes and similar laws affecting the Condominium, or as otherwise approved by District of Columbia housing inspectors.”

369. Developer Defendants in writing further warranted each of the units against structural defects for two years from the date it was conveyed.

370. Developer Defendants, in writing, further warranted the common elements against structural defects for two years from the date they were completed.

371. Even after Plaintiffs purchased their units, Defendants continued making these express warranties, and such warranties have continued to the date of the filing of this Second Amended Complaint.

372. The POS provided for the creation of and established the By-laws for the Association. Because of this relationship, the Developer Defendants owe the same duties to the Association that they owe to the Plaintiffs with regard to King’s Court.

373. As described herein, Developer Defendants performed, or caused to be performed, renovation work without obtaining required construction permits from the District of Columbia government. This renovation work was done in violation of applicable zoning

ordinances, building codes, housing codes and similar laws affecting the Condominium and without obtaining approval from District of Columbia housing inspectors.

374. From the date the above-described violations commenced to the date of the filing of this Second Amended Complaint, Developer Defendants have delayed completion, or have refused to complete, renovation of the common elements, despite Association Plaintiffs' repeated requests for them to do so.

375. As described herein, the King's Court condominium units and common elements contain structural defects and other deficiencies proximately caused by Developer Defendants' failure to perform and/or shoddy construction practices.

376. From the date the above-described violations commenced, to the date of the filing of this Second Amended Complaint, Developer Defendants have either delayed or refused to repair these defects, despite Association Plaintiffs' repeated requests for them to do so.

377. Beginning immediately after Developer Defendants conveyed the condominiums to Plaintiffs, and continuing until the date of this Second Amended Complaint, Defendants breached these warranties in that they have refused and otherwise failed to make necessary and appropriate repairs in a timely manner.

378. In choosing to buy condominium units at King's Court, Plaintiffs and, thus, Plaintiff Association relied on the skill, judgment, representations and foregoing, express warranties of the Defendants. Said warranties and representations were false in that the aforementioned condominium units were not safe and were unfit for the uses for which they were intended.

379. Developer Defendants either directly or by virtue of their relationship with the other Developer Defendants, entered into one or more contracts containing express warranties with Plaintiffs and, thus, with Plaintiff Association as described herein.

380. Developer Defendants owed a duty to Plaintiffs and to the Association to honor the express warranties included in these contracts.

381. Developer Defendants materially breached that duty as described herein.

382. As a direct and proximate result of such breach of warranty, Association Plaintiffs are at an increased risk of harm because of the unfit and unsafe common areas, and has suffered damages.

383. Wherefore, Association Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) compensatory damages in an amount not less than \$10,000,000.00;
 - (b) specific performance of the warranties described herein;
 - (c) rescission and/or restitution to place the Association Plaintiffs in *status quo ante*;
 - (d) pre- and post-judgment interest as permitted by law;
 - (e) costs and attorneys fees reasonably incurred in connection with this action;
- and
- (f) such other relief as this Court may deem just and proper.

COUNT XXIX
BREACH OF IMPLIED WARRANTIES OF FITNESS FOR PARTICULAR PURPOSE,
MERCHANTABILITY AND HABITABILITY
(Developer Defendants)

384. Association Plaintiffs reallege and incorporate by reference herein the allegations contained in the preceding paragraphs of this Second Amended Complaint and further allege:

385. In marketing and selling condominiums at King's Court to Plaintiffs, Developer Defendants expressly and/or impliedly warranted that the condominiums were safe and fit for a particular use, that is, for habitation, and that they were of a merchantable quality.

386. In fact, when Defendants placed them in commerce, the condominiums and common elements were defective, in that, *inter alia*;

(a) renovations and repairs to both the condominium units and the common elements were performed in a non-workmanlike manner, as alleged herein;

(b) major systems, including plumbing, heating and electric were, and continue to be, dangerous, inoperable and on the verge of failure;

(c) the roof of the building that comprises King's Court was, so structurally unsound that it has since collapsed; and

(d) the basement units and mechanical room experienced major flooding and structural and property damage caused by serious water infiltration problems that appear to have continued over a significant period of time.

387. As first-time homebuyers, Plaintiffs were, unskilled in the purchase of the King's Court condominium units and reasonably relied on the skill, judgment and implied warranty of the Defendants.

388. Developer Defendants either directly or by virtue of their relationship with the other Developer Defendants, entered into one or more contracts containing implied warranties of fitness for a particular purpose, merchantability and habitability with Plaintiffs as described herein.

389. The POS provided for the creation of and established the By-laws for the Association. Because of this relationship, the Developer Defendants owe the same duties to the Association that they owe to the Plaintiffs with regard to King's Court.

390. Developer Defendants owed a duty to Plaintiffs and Plaintiff Association to honor the implied warranties included in these contracts.

391. Developer Defendants materially breached that duty as described herein.

392. As a direct and proximate result of the defective condition of the property and Defendants' breaches of warranties, Association Plaintiffs have suffered damages.

393. Wherefore, Association Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) for compensatory damages in an amount not less than \$10,000,000.00;
- (b) specific performance of the warranties;
- (c) rescission and/or restitution to place the Association Plaintiffs in *status quo ante*;
- (d) pre- and post-judgment interest as permitted by law;
- (e) costs and attorneys fees reasonably incurred in connection with this action;

and

- (f) such other relief as this Court may deem just and proper.

**COUNT XXX
NEGLIGENCE
(Developer Defendants)**

394. The Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

395. At all relevant times, all Developer Defendants owed Association Plaintiffs a duty to exercise ordinary care in performing all construction and renovation work at King's Court in a workmanlike manner and in compliance with all District of Columbia codes.

396. Contrary to their duties, the Defendants were guilty of shoddy construction practices, including, *inter alia*, failing to repair and/or creating:

(a) a roof so unstable that it was at risk of collapse, and in fact, has since collapsed;

(b) outdated, unsafe and inadequate plumbing and heating systems;

(c) improper and inadequate ventilation;

(d) structural and property damage caused by repeated leaks in undersized copper pipes that run throughout the complex; and

(e) major flooding and structural and property damage caused by serious water infiltration problems that appear to have continued over a significant period of time.

397. Defendants breached their statutory duties to Association Plaintiffs in the following respects:

(a) D.C. code section 42-1904.04 requires a condominium Purchase Offering Statement ("POS") to fully and accurately disclose the characteristics of condominium units offered for sale. Defendants' POS provided false disclosure regarding the condition of the King's Crossing units by misrepresenting critical facts regarding smoke detectors, ventilation and the condition of the roof.

(b) Defendants' POS failed to disclose that the units being sold were in substandard condition, infested with mold due to serious water infiltration, and presented a danger to the health of future occupants; and

(c) Construction and renovation work that Defendants “performed” on King’s Court violated a number of provisions of the District of Columbia’s zoning, building and housing codes including, but not limited to:

(i) clothes washers in kitchens are connected with one-half inch water piping, in violation of the District of Columbia Plumbing Code which requires three-quarter inch water piping;

(ii) kitchen and bath ventilation systems that are inoperable and, thereby violate the District of Columbia Housing Code;

(iii) mold build-up in corridors, boiler rooms, and living units, violating the District of Columbia Housing Code; and

(iv) the basement storage room that lacks sprinklers or fire separation walls, in direct violation of the District of Columbia Fire Code.

398. The regulations and codes cited above supplied a standard of care governing Defendants’ renovation, repair and maintenance of the condominium units and the offering of such units for sale to the public.

399. These regulations and codes were intended to protect those in Association Plaintiffs’ position – unit owners associations – and prevent the type of injuries that Association Plaintiffs suffered here which was responsibility for the maintenance and repair of a substandard and unsafe condominium property.

400. Defendants’ breach of their statutory duties to Association Plaintiffs by failing to exercise ordinary care as described herein, constitutes negligence.

401. As a direct and proximate result of Defendants’ negligent conduct, Association Plaintiffs suffered damages.

402. Wherefore, Association Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) compensatory damages in the amount not less than \$10,000,000.00;
- (b) pre- and post-judgment interest as permitted by law;
- (c) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (d) such other relief as this court may deem just and proper.

COUNT XXXI
NEGLIGENCE
(Sales Agent Defendants)

403. Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

404. At all relevant times, Sales Agent Defendants owed Association Plaintiffs a duty to exercise ordinary care in the marketing, selling, advertising, and otherwise promoting of the condominium units to Plaintiffs and the transfer of the responsibility for the maintenance of the property to the Association Plaintiffs.

405. Contrary to their duty, the Defendants were guilty of one or more of the following careless and negligent acts and/or omissions:

- (a) failed to adequately inspect the condominium units and common elements to ascertain whether or not they were safe and proper for the purpose for which they were designed and sold;
- (b) denied Plaintiffs proper access to common areas prior to purchase, purposely and deceptively concealing, the extent of the disrepair in those areas;
- (c) concealed and suppressed facts material to the true characteristics, standards and quality of the condominium units; and

(d) provided deflated estimates of costs in owning and maintaining the units and common areas.

406. Defendants' breach of their duty to Association Plaintiffs by failing to exercise ordinary care as described herein, constitutes negligence.

407. As a direct and proximate result of Defendants' negligence, Association Plaintiffs suffered damages.

408. Wherefore, Association Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

- (a) compensatory damages in the amount not less than \$10,000,000.00;
- (b) pre- and post-judgment interest as permitted by law;
- (c) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (d) such other relief as this court may deem just and proper.

**COUNT XXXII
CONSPIRACY
(Developer Defendants)**

409. The Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

410. Developer Defendants conspired with each other to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **violation of the D.C. Condominium Act**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference;

(b) **Breach of Contract**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference; and

(c) **Breach of Warranty**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference.

411. Developer Defendants conspired with each other and with Sales Agent Defendants to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **Breach of the Covenant of Good Faith and Fair Dealing**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference;

(b) **Fraudulent Inducement**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference; and

(c) **Fraudulent Concealment**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference.

412. Developer Defendants conspired with each other, with Sales Agent Defendants and with Mortgage Defendants to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **violation of the D.C. Consumer Protection Procedures Act**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference.

413. As a result of the Defendants' conspiracy and agreement to participate in the above-described conduct, Association Plaintiffs suffered damages.

414. Wherefore, Association Plaintiffs demand judgment against Developer Defendants, jointly and severally, as follows:

- (a) rescission and/or restitution to place the Association Plaintiffs in *status quo ante*;
- (b) compensatory damages in the amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) emotional damages;
- (e) pre- and post-judgment interest as permitted by law; and
- (f) \$10,000,000.00 for punitive damages;
- (g) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (h) such other relief as this Court may deem just and proper.

**COUNT XXXIII
CONSPIRACY
(Sales Agent Defendants)**

415. The Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

416. Sales Agent Defendants conspired with each other and with Developer Defendants to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **Breach of the Covenant of Good Faith and Fair Dealing**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference;

(b) **Fraudulent Inducement**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference; and

(c) **Fraudulent Concealment**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference.

417. Sales Agent Defendants conspired with each other, with Developer Defendants and with Mortgage Defendants to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **violation of the D.C. Consumer Protection Procedures Act**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference.

418. As a result of Sales Agent Defendants' conspiracy and agreement to participate in the above-described conduct, Association Plaintiffs suffered damages.

419. Wherefore, Association Plaintiffs demand judgment against Sales Agent Defendants, jointly and severally, as follows:

- (a) rescission and/or restitution to place the Association Plaintiffs in *status quo ante*;
- (b) compensatory damages in the amount not less than \$10,000,000.00;
- (c) treble damages;
- (d) emotional damages;
- (e) pre- and post-judgment interest as permitted by law; and
- (f) \$10,000,000.00 for punitive damages;
- (g) reasonable attorneys fees and costs, and reasonable legal expenses; and
- (h) such other relief as this Court may deem just and proper.

**COUNT XXXIV
CONSPIRACY
(Mortgage Defendants)**

420. The Association Plaintiffs reallege and incorporate by reference the allegations contained in the preceding paragraphs of this Second Amended Complaint, and further charge:

421. Mortgage Defendants conspired with each other and with Developer Defendants and the Sales Agent Defendants to participate in unlawful conduct and/or to engage in lawful conduct through unlawful means, such conduct including, *inter alia*:

(a) **Fraudulent Inducement**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference; and

(b) **Fraudulent Concealment**, as herein described in this Second Amended Complaint, the allegations of which are realleged and incorporated by reference.

422. As a result of the Mortgage Defendants' conspiracy and agreement to participate in the above-described conduct, Association Plaintiffs suffered damages.

423. Wherefore, Association Plaintiffs demand judgment against Mortgage Defendants, jointly and severally, as follows:

(a) rescission and/or restitution to place the Association Plaintiffs in *status quo ante*;

(b) compensatory damages in the amount not less than \$10,000,000.00;

(c) treble damages;

(d) emotional damages;

(e) pre- and post-judgment interest as permitted by law; and

(f) \$10,000,000.00 for punitive damages;

(g) reasonable attorneys fees and costs, and reasonable legal expenses; and

(h) such other relief as this Court may deem just and proper.

JURY TRIAL DEMAND

Plaintiffs hereby demand a trial by jury with respect to each claim in this Second Amended Complaint.

Respectfully submitted this 28 day of February 2008,

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