UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

NO. 01-CR-80514-DT

-vs-

HON. JOHN FEIKENS

D-5 PATRICK D. QUINLAN, SR.,
D-6 LEE P. WELLS, and
D-7 JOHN P. O'LEARY,

Defendants.
_____/

FOURTH SUPERSEDING INDICTMENT

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THE GRAND JURY CHARGES:

GENERAL ALLEGATIONS

1. From approximately 1985 until the end of January 1999, a business enterprise composed of a number of corporations, real estate trusts, limited partnerships, and limited liability companies collectively engaged in mortgage banking and other activities associated with real estate.

EARLY CORPORATE STRUCTURE: MCA

2. Prior to a major corporate restructuring in 1993, the business enterprise conducted its activities mostly through ***MORTGAGE CORPORATION OF AMERICA***, a Michigan corporation incorporated in 1985. During this period, *Mortgage Corporation of America* principally engaged in (1) mortgage banking, (2) the syndication of residential real estate investments, and (3) the securitization of land contract vendors' and subprime mortgage interests. *Mortgage Corporation of America* was based in Birmingham and then Troy, Michigan.

LATER CORPORATE STRUCTURE: MCA, RIMCO, PCA

MCA

3. ***MCA FINANCIAL CORP.***, a Michigan corporation incorporated in 1989, was activated in 1991 and became the holding company of the "*MCA* enterprise," which was composed of the "*MCA* entities," as defined below in Paragraph 11.

4. As part of the corporate restructuring of 1993, *Mortgage Corporation of America* was renamed ***MCA MORTGAGE CORPORATION.*** *MCA Mortgage Corporation* engaged in mortgage banking, concentrating on the origination of conforming loans (also called conventional loans), FHA-insured loans, and VA-guaranteed loans to homebuyers. *MCA Mortgage Corporation* was a wholly owned subsidiary of *MCA Financial Corp*.

5. As another part of the 1993 restructuring, *First American Mortgage Associates, Inc.*, a Michigan corporation incorporated in 1984 and subsequently acquired by the *MCA* enterprise, was renamed ***MORTGAGE CORPORATION OF AMERICA***. This *Mortgage Corporation of America* engaged in (1) mortgage banking, concentrating on the origination of nonconforming loans to and land contract financing for homebuyers and (2) the securitization of land contract vendors' and subprime mortgage interests. *Mortgage Corporation of America* was a wholly owned subsidiary of *MCA Financial Corp*.

6. As a result of the 1993 restructuring, the major wholly owned subsidiaries of *MCA Financial Corp*. were *MCA Mortgage Corporation* and *Mortgage Corporation of America*. In 1993, *MCA Financial Corp*. and *MCA Mortgage Corporation* moved their headquarters operations from Troy to Southfield, while *Mortgage Corporation of America* remained in Troy. In 1995, *Mortgage Corporation of America* also moved to Southfield, resulting in the consolidation of the headquarters operations of *MCA Financial Corp*., *MCA Mortgage Corporation*, and *Mortgage Corporation of America*.

7. Another wholly owned subsidiary of *MCA Financial Corp*. was ***RIMCO REALTY AND MORTGAGE COMPANY***, a Michigan corporation incorporated in 1993 (which also did business under the names ***MCA REALTY CORPORATION*** and ***MCA REALTY***). *RIMCO Realty and Mortgage Co.* in turn had a wholly owned subsidiary, ***RIMCO ACQUISITION COMPANY,*** a Michigan corporation incorporated in 1997 (which also did business under the name ***MCA ACQUISITION COMPANY***).

8. Another wholly owned subsidiary of *MCA Financial Corp*. was ***MORTGAGE CORPORATION OF AMERICA, INC.***, an Ohio corporation principally engaged in mortgage banking in the State of Ohio that concentrated on the origination of nonconforming loans to homebuyers. *Mortgage Corporation of America, Inc.* was a wholly owned subsidiary of *Mortgage Corporation of America*.

9. Other wholly owned subsidiaries of *MCA Financial Corp.* included

COMPLETE FINANCIAL CORPORATION and ***SECURITIES CORPORATION OF AMERICA***, both Michigan corporations that were substantially or completely inactive.

10. The *MCA* enterprise, as described below in Paragraph 11, also engaged in the purchase and sale of low-income housing located in or near the City of Detroit.

11. *MCA Financial Corp.* and its wholly owned subsidiaries and their wholly owned subsidiaries are occasionally referred to hereinafter, collectively or in various combinations, as the "*MCA* enterprise" or the "*MCA* entities," any one of which might be referred to hereinafter as an "*MCA* entity."

12. The *MCA* enterprise conducted mortgage banking operations throughout the United States through a network of branch offices located in Michigan and over 10 other states, and at the end it employed approximately 900 individuals.

13. The Financial Management Committee (FMC) of *MCA Financial Corp*. was responsible for making all decisions of consequence relating to the finances of the *MCA* enterprise, including decisions about how to raise money, how to spend it, and how to deal with lenders, investors, securities broker-dealers, and auditors, among other groups. The FMC had five members: PATRICK D. QUINLAN, SR., LEE P. WELLS, KEITH D. PIETILA, ALEXANDER J. AJEMIAN, and JOHN P. O'LEARY.

14. PATRICK D. QUINLAN, SR. maintained, through family relationships, a significant ownership interest in *MCA Financial Corp*.; being the highest ranking executive officer of *MCA Financial Corp.*, he controlled in large part the operations

of *MCA Financial Corp.*; and being the Chairman of the Board of Directors of *MCA Financial Corp*., he controlled in large part the business plans and strategies of *MCA Financial Corp*.

15. LEE P. WELLS maintained, through family relationships, a significant ownership interest in *MCA Financial Corp*.; being the second highest ranking executive officer of *MCA Financial Corp.*, he exerted a significant amount of control over the operations of *MCA Financial Corp.*; and being a director of *MCA Financial Corp*., he had significant input into the business plans and strategies of *MCA Financial Corp*.

RIMCO

16. ***RIMCO FINANCIAL CORP.***, a Michigan corporation incorporated in 1993, was owned in equal shares by PATRICK D. QUINLAN, SR., LEE P. WELLS, and Leroy G. (Lee) Rogers and controlled in large part by PATRICK D. QUINLAN, SR. and LEE P. WELLS. *RIMCO Financial Corp.* served as the holding company for several wholly owned subsidiaries that collectively engaged in the maintenance, rehabilitation, and management and the marketing, leasing, and sale of low-income housing located in or near the City of Detroit.

17. The wholly owned subsidiaries of *RIMCO Financial Corp*. were ***RIMCO MAINTENANCE COMPANY***, a Michigan corporation incorporated in 1991 (which also did

business under the name ***RIMCO MANAGEMENT COMPANY***); ***RIMCO BUILDING COMPANY***, a Michigan corporation incorporated in 1993; ***REAL ESTATE SOLUTIONS GROUP, INC.***, a Michigan corporation incorporated in 1996; and ***RIMCO DEVELOPMENT COMPANY***, a Michigan corporation incorporated in 1997. *RIMCO Financial Corp.* and its wholly owned subsidiaries were based in Detroit.

18. *RIMCO Financial Corp.* and its wholly owned subsidiaries are occasionally referred to hereinafter, collectively or in various combinations, as the "*RIMCO* enterprise" or the "*RIMCO* entities," any one of which might be referred to hereinafter as a "*RIMCO* entity."

PCA

19. ***PROPERTY CORPORATION OF AMERICA (PCA)***, a Michigan corporation incorporated in 1986 and once a wholly owned subsidiary of *MCA Financial Corp*., was owned in equal shares by PATRICK D. QUINLAN, SR. and LEE P. WELLS and controlled by them.

20. *PCA* was the general partner of a number of Michigan limited partnerships and the managing member of a number of Michigan limited liability companies. The *PCA* limited partnerships had names like ***MRP 108 LIMITED PARTNERSHIP***, and the *PCA* limited liability companies had names like ***ONE-TWELVE, L.L.C.***

21. *PCA* and the limited partnerships of which it was the general partner and

the limited liability companies of which it was the managing member are occasionally referred to hereinafter, collectively or in various combinations, as the "*PCA* enterprise" or the "*PCA* entities," any one of which might be referred to hereinafter as a "*PCA* entity."

22. The first several *PCA* limited partnerships were vehicles for residential real estate investments funded by syndicates of outside investors (the limited partners). The remaining *PCA* limited partnerships and all of the *PCA* limited liability companies had no outside investors. Instead, for the most part, these *PCA* entities merely served as the "buyers" of low-income housing located in or near the City of Detroit that was "sold" to them by *MCA* entities. These purported sales were used to create sham land contract vendors' and subprime mortgage interests that would be held out as genuine and valuable assets of the *MCA* enterprise, as described below in Paragraphs 50-52, and to generate bogus revenues for the *MCA* enterprise, as described below in Paragraph 53.

CORPORATE OFFICERS, DIRECTORS, AND OWNERS

23. During all or part of the period relevant to this Fourth Superseding Indictment, **PATRICK D. QUINLAN, SR.** held the following corporate positions and ownership interests in *MCA Financial Corp., RIMCO Financial Corp.,* and *PCA*:

MCA FINANCIAL CORP. Chief Executive Officer (CEO),

	Financial Management Committee (FMC) member, Chairman of the Board, major shareholder (with other members of the Quinlan family);
RIMCO FINANCIAL CORP.	Director, major shareholder (33**a**%);
PROPERTY CORP. OF AMERICA	President, Director, major shareholder (50%).

24. During all or part of the period relevant to this Fourth Superseding Indictment, **LEE P. WELLS** held the following corporate positions and ownership interests in the *MCA* enterprise, *RIMCO Financial Corp.,* and *PCA*:

MCA FINANCIAL CORP.	President, Chief Operating Officer (COO), FMC member, Director, major shareholder (with other members of the Wells family);
Mortgage Corp. of America	President;
MCA Mortgage Corporation	President;
RIMCO FINANCIAL CORP.	Director, major shareholder (33**a**%);
PROPERTY CORP. OF AMERICA	Executive VP, Director, major shareholder (50%).

25. During all or part of the period relevant to this Fourth Superseding

Indictment, KEITH D. PIETILA held the following corporate positions in *MCA Financial Corp.* and *PCA*:

MCA FINANCIAL CORP.	Executive VP, Chief Financial Officer (CFO), FMC member, Director;
PROPERTY CORP. OF AMERICA	Treasurer.

26. During all or part of the period relevant to this Fourth Superseding Indictment, ALEXANDER J. AJEMIAN held the following corporate positions in *MCA Financial Corp.*:

MCA FINANCIAL CORP.	Senior VP, Controller, Treasurer; FMC member

27. During all or part of the period relevant to this Fourth Superseding Indictment, **JOHN P. O'LEARY** held the following corporate positions in *the MCA* enterprise:

MCA FINANCIAL CORP.	Senior VP for Corporate Finance, FMC member;
MCA Mortgage Corporation	Senior VP.

MORTGAGE BANKING: TRADITIONAL MORTGAGE FINANCING

28. As a general rule, a non-bank business engaged in mortgage banking, i.e., a mortgage company, lends money to a borrower to purchase or refinance a

house. The mortgage company obtains the money it lends to the borrower from another financial institution, often but not always a bank. Such a financial institution is commonly known as a "warehouse lender," and it extends to the mortgage company what is commonly known as a revolving "warehouse line of credit" (or "warehouse line").

29. Some loans (also called mortgage loans) made by mortgage companies are made to borrowers with good credit ratings; these loans are generally known as conforming loans, or conventional loans, or prime loans. Other loans made by mortgage companies are made to borrowers who do not have good credit ratings and who therefore present a greater risk of default than borrowers who qualify for conforming mortgage loans; these loans are generally known as nonconforming loans, or subprime loans, or B & C loans, with the "B" and "C" standing for the credit rating of the borrower, with the ratings being A, A-, B, C, D, and E. A prime borrower is a borrower with a credit rating of A. Because subprime borrowers present a higher level of risk to the mortgage company, nonconforming loans carry higher interest rates and fees than conforming loans carry.

30. With funds obtained from a warehouse lender through a warehouse line, the mortgage company lends money to a prime or subprime borrower, whom the mortgage company has determined to be sufficiently creditworthy under its underwriting (i.e., credit risk assessment) standards.

31. At the closing of the loan, if the loan is used to purchase a house, the money lent to the borrower, together with the borrower's down payment, is transferred to the seller of the house, who in turn conveys title to (and possession of) the house to the borrower. By contrast, if the loan is used to refinance an existing loan, most or virtually all of the money lent to the borrower is transferred to the previous lender (or the lender's successor in interest) to pay off the existing loan. In both situations, the borrower (1) signs a promissory note, or mortgage note, promising to repay the mortgage company the principal loan amount, plus interest, and (2) simultaneously conveys to the mortgage company an interest in the house to secure the borrower's debt to the mortgage company by signing a document called a "mortgage." Under the terms of the promissory note and mortgage, the mortgage company has the right to receive a stream of monthly payments from the borrower, and if the borrower defaults, the mortgage company may invoke its right to take possession of the house and to have the house sold to a third party through foreclosure proceedings; the proceeds of a foreclosure sale would then be used to reduce the borrower's debt to the mortgage company. These rights of the mortgage company are collectively referred to hereinafter as a "mortgage interest" or "mortgage loan." A mortgage interest is personal property (as opposed to real estate) owned by the mortgage company.

32. The mortgage company's debt to its warehouse lender for the money that

was used to fund the mortgage company's loan to the borrower is secured by the mortgage company's pledge of its mortgage interest in the borrower's house to the warehouse lender.

33. After the closing of a mortgage loan, the mortgage company services the loan. Loan servicing principally involves collecting the monthly payments from the borrower and distributing those payments, in their proper amounts, to the lender and, through the use of escrow accounts, to real estate taxing authorities and the property insurance company. Initially, the loan servicer is the lender. However, it is common for a lender to subsequently hire and pay a fee to another financial institution to service its loans.

34. Within a fixed period of time after the closing of a mortgage loan, which is set forth in the agreement between the mortgage company and the warehouse lender (e.g., 90 days, 180 days), the mortgage company ordinarily sells its mortgage interest in the borrower's house to another financial institution or institutional investor (e.g., pension fund, insurance company), packaged together with other mortgage interests that it owns as a result of originating other mortgage loans. The bulk sale and purchase of mortgage loans between and among financial institutions and institutional investors occurs in what is called the secondary mortgage market. Two of the largest purchasers of conforming mortgage loans in the secondary mortgage market are the *Federal Home Loan Mortgage Corporation* (*FHLMC*, or "*Freddie*

Mac"), and the *Federal National Mortgage Association* (*FNMA*, or "*Fannie Mae*"), both business enterprises sponsored by the federal government. The mortgage company may also package together some of its mortgage loans that are insured by the *FHA* (*Federal Housing Administration*) or guaranteed by the *VA* (*U.S. Department of Veterans Affairs*) to serve as collateral for securities that it issues, markets, and sells in the secondary mortgage market; these securities, called mortgage-backed securities (or mortgage-backed certificates), which are sold to financial institutions and institutional investors, are guaranteed by the federal government through the *Government National Mortgage Association* (*GNMA*, or "*Ginnie Mae*"), a federal agency within the U.S. Department of Housing and Urban Development. Purchasers of nonconforming, or subprime, loans in the secondary mortgage market include financial institutions (e.g., *Advanta Mortgage Corp. USA*) and institutional investors.

35. When it sells its mortgage loans to a financial institution or institutional investor in the secondary market, such as *Freddie Mac*, the mortgage company often retains its right to service the mortgage loans; in that event, the new owner of the mortgage loans pays servicing fees to the mortgage company. When the mortgage company issues and sells mortgage-backed securities guaranteed by *Ginnie Mae*, the mortgage company services the mortgage loans backing the securities, for which it receives servicing fees from *Ginnie Mae*.

36. The mortgage company then uses the proceeds of the sales of its mortgage loans and mortgage-backed securities, in large part, to repay the loans it has received from the warehouse lender under the mortgage company's warehouse line (a process commonly referred to as "paying down" the warehouse line).

37. The mortgage company realizes a net profit or loss from all of these mortgage banking transactions based on the revenues it receives from the following sources: the loan application fees paid by those seeking mortgage loans; the loan origination fees (also called "points") paid by borrowers at the closing; the difference between the interest payments the mortgage company receives from borrowers and the interest payments it pays to the warehouse lender for borrowing the funds lent to those borrowers (the so-called spread) from the time the mortgage loans are originated until the time they are sold in the secondary mortgage market; and the fees it receives from other institutions for servicing mortgage loans owned by those financial institutions.

MORTGAGE BANKING: LAND CONTRACT FINANCING IN MICHIGAN

38. The purchase of a house located in Michigan by a subprime borrower can also take the form of an installment land contract, an alternative to traditional mortgage financing available under Michigan law. A land contract is often used when the borrower has a subprime credit rating. Under the terms of a land contract,

the borrower, or “land contract vendee,” makes a down payment and promises to make monthly installment payments to the seller, ordinarily an individual but in this case an *MCA* entity, which has previously acquired and holds legal title to the house. The seller, or “land contract vendor,” in turn conveys to the borrower the right to possess and use the house and the right to obtain legal title to the house when the last monthly installment payment is made. Until the last payment is made, the seller retains legal title to the house.

39. Under the terms of a land contract, the seller has the right to receive a stream of monthly payments from the borrower, and if the borrower defaults, the seller has the right to retake possession of the house and retain all past monthly payments made by the borrower. These rights of the seller are collectively referred to hereinafter as a “land contract vendor’s interest” or simply “land contract.” A land contract vendor’s interest is personal property (as opposed to real estate) owned by the seller.

40. After the closing of a sale by land contract, the seller services the land contract in the same way a mortgage company services one of its mortgage loans. The seller may subsequently hire and pay a fee to another financial institution to service its land contracts.

41. After the closing of a sale by land contract, the seller may sell its land contract vendor’s interest in the house to another financial institution or institutional

investor, packaged together with other land contract vendors' interests that it owns as a result of acquiring other houses and selling them on land contract to borrowers.

42. When it sells its land contract vendors' interests to another financial institution or institutional investor in the secondary market, the seller may choose to retain its right to service the land contracts; in that event, the new owner of the land contracts would pay servicing fees to the seller.

THE ORIGINATION AND ACQUISITION OF LAND CONTRACT VENDORS' INTERSTS AND SUBPRIME MORTGAGE LOANS , AND THEIR SECURITIZATION

43. *Mortgage Corporation of America* and other *MCA* entities owned thousands of land contract vendors' interests and subprime mortgage loans. As a regular part of its business operations, the *MCA* enterprise purchased land contract vendors' interests and subprime mortgage loans in the secondary mortgage market from financial institutions, institutional investors, and individuals, and it originated land contract vendors' and subprime mortgage interests in the course of funding the purchase of houses by subprime borrowers.

44. *Mortgage Corporation of America* organized many of these land contract vendors' and subprime mortgage interests into separate pools and then sold undivided interests in those pools to private investors in the form of a *Mortgage Corporation of America* security called a "real estate pass-through certificate." These securities were sold to individual investors through a network of registered

securities broker-dealers.

THE ACQUISITION, MAINTENANCE, REHABILITATION, AND MANAGEMENT AND THE MARKETING, LEASING, AND SALE OF LOW-INCOME HOUSING

45. Several *MCA* and *RIMCO* entitites collectively engaged in the acquisition, maintenance, rehabilitation, and management and the marketing, leasing, and sale of low-income housing located in or near the City of Detroit. The vast majority of those properties were detached houses suitable for occupation by one, two, three, or four families. These houses (the so-called rental properties) were leased to low-income tenants. Some of the better houses (the so-called retail properties) were rehabilitated and sold to individuals. Other houses were vacant because they were not certified for occupancy or because no tenants chose to lease them, and yet other properties were uninhabitable and became vacant lots.

FEDERALLY INSURED FINANCIAL INSTITUTIONS

46. At all times relevant to this Fourth Superseding Indictment, the deposits of the following financial institutions were insured by the Federal Deposit Insurance Corporation: *Comerica Bank*; *PNC Mortgage Bank, N.A.*; *Marine Midland Bank; Texas Commerce Bank, N.A.*; *Chase Bank of Texas, N.A.*; *Guaranty Federal Bank, F.S.B.*; *Bank One, Texas, N.A.*; *The Bank of New York*; *LaSalle National Bank*; *Coastal Banc ssb*; and *Sterling Bank and Trust, F.S.B.*

THE SECURITIES AND EXCHANGE COMMISSION (SEC)

47. At all times relevant to this Fourth Superseding Indictment, the *U.S. Securities and Exchange Commission*, referred to hereinafter as the "*Securities and Exchange Commission*" or the "*SEC*," was a federal agency located within the executive branch of the government of the United States.

THE SCHEME TO DEFRAUD

GENERALLY

48. From approximately 1991 until the end of January 1999, several of the executive officers, employees, directors, and owners of the *MCA*, *RIMCO*, and *PCA* enterprises knowingly devised, executed, and participated in a scheme to defraud and to obtain money by means of materially false and fraudulent pretenses, representations, and promises. Because, for the most part, the operation of the *MCA* enterprise resulted in financial losses and a chronic shortage of cash, the primary purpose of the scheme was to obtain enough cash from investors and lenders to enable the *MCA* enterprise to pay its debts and financial obligations when they became due; to keep up the appearances of solvency, a solid debt-to-equity ratio, and profitability; and ultimately to stay in business. The desire to stay in business at any cost arose in part from the desire of the executive officers to

continue to receive six-figure salaries, bonuses, and other corporate perquisites. A secondary purpose of the scheme was to obtain large amounts of capital from investors and lenders to fund the acquisition of other mortgage companies and increase the presence and importance of the *MCA* enterprise in the national mortgage banking industry. Over the years, the members of the FMC discussed and recognized that this strategy of expansion might support a future initial public offering (IPO) of common stock in the *MCA* enterprise, which could increase the wealth of the current major holders of the common stock of *MCA Financial Corp*., including PATRICK D. QUINLAN, SR. and members of his family, LEE P. WELLS and members of his family, KEITH D. PIETILA, ALEXANDER J. AJEMIAN, and JOHN P. O'LEARY, among others individuals.

49. The direct financial losses suffered by the victims of the scheme to defraud are expected to total approximately $250 million.

The Related-Party Transactions: The "Sale" of Low-Income Housing by MCA Entities to PCA Entities to Create Sham Assets

50. It was a part of the scheme that the *MCA* enterprise would create sham assets for itself by doing the following:

- An *MCA* entity would purchase a residential property located in or near the City of Detroit from a third party. Most of these properties were sold to and purchased by the *MCA* enterprise in bulk. Most of the residential properties purchased by the *MCA* enterprise were low-income housing; some properties were uninhabitable and became vacant lots.

- On the same day, or on a few occasions within a very short period of time, the *MCA* entity would purport to sell one of the properties to a *PCA* entity on a land contract or through a conventional sale (a "property flip"). The sales price to the *PCA* entity would be "marked up," or inflated, i.e., set at a level that substantially exceeded the cost incurred by the *MCA* entity to acquire the property. The marked-up price would purport to represent the value of the property "as repaired." These sales were referred to as "related-party" sales or transactions because the *MCA* and *PCA* enterprises were commonly owned and controlled; thus, any given *MCA* entity and any given *PCA* entity could be characterized as being "related parties."

- The purported sale to the *PCA* entity would purport to be financed by the *MCA* entity, thereby creating a land contract vendor's interest or a subprime mortgage interest in favor of the *MCA* entity, the main part of the interest being the right to receive a stream of monthly payments from the *PCA* entity. Such an interest would be the personal property (as opposed to real estate) of the *MCA* entity.

- With respect to most of the properties purportedly purchased by a *PCA* entity, and, as time wore on, with respect to virtually every property purportedly purchased by a *PCA* entity, the *PCA* entity itself made no actual down payment to the *MCA* entity. Instead, the *MCA* enterprise would "loan" the *PCA* entity the down payment, which became an account receivable for the *MCA* enterprise on paper, and it would similarly "loan" funds to the *PCA* entity for maintenance and repairs. In addition, the *PCA* entity itself made very few if any actual monthly payments to the *MCA* entity. No *PCA* entity had the financial ability to make such payments, because the amount of rent received by the *PCA* entities did not come close to being the amount of money required for the *PCA* entities to pay maintenance and miscellaneous expenses, real estate taxes, property insurance premiums, and the principal and interest due to the *MCA* entities based on the marked-up purchase prices. Indeed, very few properties purchased by the *PCA* entities underwent the kind of repairs that would have increased their fair market values to something approaching the marked-up prices and would have raised the values of the *MCA* entities' land contract vendors' and subprime mortgage interests to something approaching their stated values in the land contracts and in the subprime mortgage

notes.

51. In sum, these purported property sales were sham transactions: the prices greatly exceeded the fair market values; few if any actual down payments were made by the *PCA* entities; the monthly payments due to the *MCA* entities were in a constant state of default; there was no expectation or reason to believe that the *PCA* entities would make the required monthly payments to the *MCA* entities; and if the true nature of these *MCA* related-party land contract vendors' and subprime mortgage interests had actually been disclosed, no one in the secondary mortgage market would have purchased them.

52. It was also a part of the scheme that, as described below, the *MCA* enterprise would use these sham assets fraudulently by placing them in the pools in which undivided interests were sold to and beneficially owned by the investors (the poolholders) in the form of pass-through certificates; by selling them to other financial institutions; and by pledging them as collateral for warehouse lines of credit and other credit facilities (i.e., other forms of credit). In addition, these sham assets were reported as assets in the consolidated financial statements of *MCA Financial Corp*. and its wholly owned subsidiaries as assets under the categories "land contracts held for resale," "mortgages held for resale," and "accounts receivable – related parties."

The Related-Party Transactions: The "Sale" of Low-Income Housing by MCA Entities to PCA Entities to Generate Bogus Revenues

53. It was also a part of the scheme that the *MCA* enterprise would generate bogus revenues for itself by engaging in the related-party transactions described above in Paragraph 50. When an *MCA* entity purchased a property and then promptly purported to sell it to a *PCA* entity, with there being no improvement in the property in the form of repairs or rehabilitation, the *MCA* entity would recognize a gain on that sale, which was the difference between the cost incurred by the *MCA* entity (including incidental expenses) to acquire the property and the marked-up sales price to the *PCA* entity. These bogus gains were recognized as revenues in the consolidated financial statements of *MCA Financial Corp*. and its wholly owned subsidiaries under the category "gain on sale of real estate – related parties."

The Related-Party Transactions: False and Fraudulent Recordkeeping

54. It was also a part of the scheme that the *MCA* enterprise would fashion and use a system of recordkeeping that automatically reflected on a rolling basis that the *PCA* entities were current on their monthly payments to the *MCA* entities. But, in fact, such actual payments were seldom made, and then only irregularly.

The False Corporate Facade: Lying to Investors, Lenders, and Others about the True Financial Condition of the MCA Enterprise

55. It was also a part of the scheme that the true financial condition of the

MCA enterprise would be knowingly misrepresented to securities broker-dealers, potential and current investors, potential and current lenders, outside auditors, and other financial professionals. Those misrepresentations involved the knowing use of false and fraudulent pretenses, representations, and promises that were material to the decisions of potential and current investors to purchase or not purchase the securities of the *MCA* enterprise and to the decisions of potential and current lenders to lend or not lend money or extend other credit facilities to the *MCA* enterprise. The false and fraudulent pretenses and representations included the concealment of and failure to disclose material facts. In sum, the true financial condition of the *MCA* enterprise was represented to be substantially and materially better than it was in fact.

56. It was also a part of the scheme that most of those false and fraudulent pretenses, representations, and promises would be contained in documents that were presented or made available to potential and current lenders, potential and current investors, and registered securities broker-dealers, or were otherwise made available to the general public, which included

- **!** the consolidated financial statements of *MCA Financial Corp*. and its wholly owned subsidiaries;
- **!** the annual reports of *MCA Financial Corp*.;
- **!** quarterly reports (10-Qs), annual reports (10-Ks), registration statements, and related documents filed by *MCA Financial Corp.* with the *SEC*;

- confidential offering memoranda and supplements thereto describing the real estate pass-through certificates sponsored by *Mortgage Corporation of America* and sold on its behalf by registered securities broker-dealers;
- prospectuses describing the preferred stock and subordinated debentures issued by *MCA Financial Corp*. and sold on its behalf by registered securities broker-dealers;
- formal presentations made to potential and current securities broker-dealers and investors; and
- formal presentations made to potential and current lenders to the *MCA* enterprise.

57. It was also a part of the scheme that false and fraudulent pretenses, representations, and promises, including those contained in the documents listed above in Paragraph 56, would be made through the oral statements of officers, employees, and directors of the *MCA* enterprise.

58. The deception in the consolidated financial statements of *MCA Financial Corporation* and its wholly owned subsidiaries involved the following items:

- The value of two assets referred to as “land contracts held for resale” and “mortgages held for resale” were substantially overstated. Their values were greatly inflated by the inclusion of related-party land contract vendors‘ and subprime mortgage interests that were sham assets, as described above in Paragraphs 50-52.

- The value of an asset referred to as “accounts receivable” in the fiscal year ending 01/31/94 and in prior fiscal years and “accounts receivable – related parties” in the fiscal year ending 01/31/95 and in subsequent fiscal years was substantially overstated. Included in this category were many sham assets, as described above in Paragraphs 50-52, and uncollectible “loans” made to *PCA* entities, as described above in

Paragraph 50. "Accounts receivable" and "accounts receivable – related parties" also included uncollectible "advances" made to the poolholders, which were simply the quarterly distributions made to the poolholders that were projected in the confidential offering memoranda and supplements thereto describing the *Mortgage Corporation of America* real estate pass-through certificates, and which the *MCA* enterprise had no intention of getting back.

- The figure for a revenue item referred to as "gain on sale of real estate" in the fiscal year ending 01/31/94 and in prior fiscal years and "gain on sale of real estate – related parties" in the fiscal year ending 01/31/95 and in subsequent fiscal years was substantially overstated through the inclusion of bogus revenues, as described above in Paragraph 53.

- A major potential liability was not disclosed, namely, the substantial debt to the poolholders, as described below in Paragraphs 69-72, arising from (a) *Mortgage Corporation of America*'s initial failure to place in the pools all of the land contract vendors' and subprime mortgage interests that were supposed to be in the pools; (b) *Mortgage Corporation of America*'s placement of sham assets, as described above in Paragraphs 50-52, into the pools (i.e., the related-party land contract vendors' and subprime mortgage interests); and (c) *Mortgage Corporation of America*'s conversion to its own use and the use of other *MCA* entities and related parties of the cash proceeds from the sale of some the performing assets that were in the pools, as described below in Paragraph 70. This potential liability to the poolholders was referred to by *MCA* personnel as the "unfunded liabilities," the "unfunded position," or the "hole" in the pools.

59. The deception in the consolidated financial statements of *MCA Financial Corporation* and its wholly owned subsidiaries, described above in Paragraph 58, allowed each relevant *MCA* entity to appear as if it were solvent and as if its net worth and debt-to-net worth (or debt-to-equity) ratio were in compliance with its affirmative covenants to lenders, as set forth in loan agreements and similar

documents. But, in fact, for substantial periods of time, the relevant *MCA* entity was insolvent and/or its net worth and debt-to-net worth ratio were substantially out of compliance with its affirmative covenants.

60. It was also a part of the scheme that the deception in the consolidated financial statements of *MCA Financial Corporation* and its wholly owned subsidiaries, described above in Paragraph 58, would be made more difficult to detect by outside auditors through the use of transactions involving both the *PCA* limited partnerships and limited liability companies (the related entities) and the pools, which were separate legal entities called "trusts." Because the *PCA* entities and the pools had legal identities separate and distinct from the *MCA* enterprise, the financial records of the *PCA* entities and the pools were not required to be examined during or included in any audit of the financial records of *MCA Financial Corp.* Thus, with respect to *MCA Financial Corp.*, the *PCA* entities and the pools were "off-book" limited partnerships, limited liability companies, and trusts.

61. It was also a part of the scheme that toward the end of each fiscal year in the last several years of its existence (the *MCA* enterprise's fiscal year ended on January 31), the *MCA* enterprise would enter into repurchase agreements (or repos) with *Matrix Financial Services Corporation* and other financial institutions under which the *MCA* enterprise would sell related-party land contract vendors' and subprime mortgage interests, i.e., the sham assets described above in Paragraphs

50-52, before January 31 and then repurchase them after January 31, all for the purpose of fraudulently improving the *MCA* enterprise's ostensible financial condition at the conclusion of every fiscal year, which would be reported in the annual consolidated financial statements of *MCA Financial Corp.* and its wholly owned subsidiaries.

SPECIFIC VICTIMS

The Poolholders

62. As stated above in Paragraphs 43-44, *Mortgage Corporation of America* organized land contract vendors' and subprime mortgage interests owned by the *MCA* enterprise into separate pools and then sold undivided interests in those pools to private investors. *Mortgage Corporation of America* was the sponsor of these pools, and it was a part of the scheme that *Mortgage Corporation of America* would raise millions of dollars for the *MCA* enterprise by selling these securities.

63. More specifically, at fairly regular intervals *Mortgage Corporation of America* would aggregate approximately two to three dozen land contract and subprime mortgage interests into a single "pool." Each pool, which contained anywhere from $600,000 to $1.3 million in land contract and subprime mortgage interests (which are occasionally referred to hereinafter as "pool assets") based on their face value, was given a name, such as "Pool 1996-114" or "Series 1996-114

Pool" (both denoting the pool formed in 1996 that was the 114th such pool formed in the history of *Mortgage Corporation of America*). Through a network of registered securities broker-dealers, *Mortgage Corporation of America* would then market and sell undivided interests in the pools in the form of a *Mortgage Corporation of America* security called a "real estate pass-through certificate" (or "participation certificate" or "unit certificate"), hereinafter referred to as a "pass-through certificate." The pass-through certificates were sold through "private placements," which meant that *Mortgage Corporation of America* was not required to register these certificates with the *Securities and Exchange Commission*.

64. With respect to every land contract interest owned by the *MCA* enterprise, the *MCA* entity was the land contract vendor (i.e., the seller), with the borrower being the land contract vendee (i.e., the purchaser). With respect to every subprime mortgage interest owned by the *MCA* enterprise, the *MCA* entity was the lender/ mortgagee, with the borrower being the mortgagor.

65. Under the terms of the agreements governing the pass-through certificates and the confidential offering memoranda and supplements thereto describing them, the assets of each pool would be held in trust for the benefit of the poolholders; the trustee would hold legal title to the pool assets, while the poolholders would hold equitable title to and be the beneficial owners of those interests. *Mortgage Corporation of America* was the trustee of each of the pools

formed prior the formation of pool 1995-96. *Sterling Bank and Trust, F.S.B.* was the trustee of pool 1995-96 and each of the pools formed thereafter.

66. Under the terms of the agreements governing the pass-through certificates and the confidential offering memoranda and supplements thereto describing them, *Mortgage Corporation of America* was to service the real estate interests in the pools as an independent contractor. As the servicing agent of the pools, *MCA* was to collect the monthly land contract and mortgage payments from the borrowers — consisting of both principal and interest — and properly distribute those funds to the poolholders and (through the use of escrow accounts) to the appropriate real estate taxing authorities and property insurance companies, and it was to handle the problems that might arise when a borrower made late payments or defaulted. For servicing the real estate interests in the pools, *MCA* was paid servicing fees.

67. Under the terms of the agreements governing the pass-through certificates and the confidential offering memoranda and supplements thereto describing them, *Mortgage Corporation of America* estimated, but did not guarantee, that the poolholders would receive distributions resulting in an annual yield (or annual return) of a fixed percentage, usually in the range of 9% -13%.

68. Under the terms of the agreements governing the pass-through certificates and the confidential offering memoranda and supplements thereto

describing them, *Mortgage Corporation of America* was obligated to make quarterly distributions to the poolholders, and the distributions were to come entirely or almost entirely from the monthly payments that were *actually* made by the borrowers and received by *Mortgage Corporation of America* as the servicing agent of the pools. The monthly payments were to "pass through" the pool trust to the poolholders. Thus, the amounts that were to be distributed to the poolholders were to be fundamentally dependent on the *actual* performance of the land contract and subprime mortgage interests in the pools, that is, on how well the borrowers complied with their obligation to make monthly payments in a timely manner and in the amounts set forth in the land contracts and subprime mortgage notes.

69. It was also a part of the scheme that *Mortgage Corporation of America* would form some of the pools without a full complement of genuine pool assets: First, not all of the land contract and subprime mortgage interests that were supposed to be in the pools would actually be placed in the pools. Second, some of the land contract and subprime mortgage interests that were placed in the pools would be the sham assets described above in Paragraphs 50-52.

70. It was also a part of the scheme that *Mortgage Corporation of America* would misappropriate and convert to the use of the *MCA* enterprise some of the genuine pool assets — which were beneficially owned by the poolholders and the poolholders alone —by selling them to third parties and using the cash proceeds to

fund the quarterly distributions to the poolholders and to pay the operating expenses of the *MCA* enterprise.

71. It was also a part of the scheme that *Mortgage Corporation of America* would sometimes replace the genuine pool assets that it had misappropriated with sham assets.

72. It was also a part of the scheme that *Mortgage Corporation of America* would sometimes pledge pool assets to the warehouse lenders as collateral. But the pool assets were beneficially owned not by any *MCA* entity but by private investors, i.e., the poolholders; thus, they were not the assets of the *MCA* enterprise, and they could not be used by the *MCA* enterprise for its own benefit in any manner.

73. It was also a part of the scheme that whenever securities broker-dealer who sold *Mortgage Corporation of America* pass-through certificates made arrangements to review the records of certain pools, *Mortgage Corporation of America* would fraudulently reconstruct the records of those pools to make it appear that the operation and condition of the pools were in compliance with the terms of the confidential offering memoranda and supplements thereto describing the pass-through certificates.

74. It was also a part of the scheme that *Mortgage Corporation of America* would prepare confidential offering memoranda and supplements thereto describing the pass-through certificates and distribute them to the registered securities broker-

dealers who sold the certificates and who in turn made these documents available to potential and current poolholders, and that these materials would contain several false and fraudulent pretenses, representations, and promises, including these:

- ! the stated "*actual* yield" of pools previously formed, the basic measure of an investment's actual performance, was substantially overstated;
- ! the stated "*anticipated* yield" of pools in the process of being formed was substantially overstated;
- ! the stated "loan-to-value ratio" of the pool assets, a key measure of risk, was substantially understated.

75. It was also a part of the scheme that *Mortgage Corporation of America* would make quarterly distributions to the poolholders, accompanied by statements of account, that closely corresponded with the estimated yields set forth in the confidential offering memoranda and supplements thereto for the pools, even though the *actual* yields produced by the operation of the pools fell far below the *estimated* yields, and that it would do so to lull current poolholders into a false sense of security concerning their investments, to induce them and others to purchase additional *Mortgage Corporation of America* pass-through certificates, and, in some instances, to conceal the fact that some of the pool assets were not performing at all.

76. It was also a part of the scheme that *Mortgage Corporation of America* would cause a letter to be included with the quarterly distributions to the poolholders and quarterly statements of account that falsely stated:

> The performance of the Pool was good with the return matching the initial projections for the quarter. We expect the Pool will continue to perform well, with investors achieving the projecting yields or better as they have done on a cumulative basis to date on all of our sponsored programs.

The letter was intended to lull current poolholders into a false sense of security concerning their investments, and to induce them and others to purchase additional *Mortgage Corporation of America* pass-through certificates.

77. The direct financial losses suffered by the poolholders as a result of the scheme to defraud are expected to total at least $60 million.

THE HOLDERS OF PREFERRED STOCK AND SUBORDINATED DEBENTURES

78. *MCA Financial Corp.* also raised millions of dollars in capital by issuing and selling two other kinds of securities, preferred stock and subordinated debentures. The Series A preferred stock was sold through a "private placement," which meant that *Mortgage Corporation of America* was not required to register this security with the *Securities and Exchange Commission*. The Series B preferred stock and the subordinated debentures were offered for sale through "public offerings," which meant that *MCA Financial Corp.* was required to register its Series B preferred stock and subordinated debentures with the *SEC* by filing registration statements.

79. It was also a part of the scheme that *MCA Financial Corp.* would prepare

and file and cause to be filed with the *SEC* certain registration statements and related documents that included the consolidated financial statements of *MCA Financial Corp.* and its wholly owned subsidiaries, and that those financial statements would contain false and fraudulent statements and representations, and omit material facts, concerning the assets, liabilities, and revenues of the *MCA* enterprise, all in effort to mislead and deceive potential purchasers and current holders of the preferred stock and subordinated debentures about the true financial condition of the *MCA* enterprise, which was represented to be substantially and materially better than it was in fact.

80. The direct financial losses suffered by the preferred stockholders and subordinated debenture holders as a result of the scheme to defraud are expected to total at least $23 million.

THE DETROIT POLICEMEN AND FIREMEN RETIREMENT SYSTEM

81. *MCA Financial Corp.* also received loan guarantees and loans from the *Policemen and Firemen Retirement System of the City of Detroit*, hereinafter referred to as the "*P&F Pension Fund*."

82. It was also a part of the scheme that *MCA Financial Corp.* would provide to the *P&F Pension Fund*'s Board of Trustees and to agents of the Board of Trustees the consolidated financial statements of *MCA Financial Corp.* and its wholly owned

subsidiaries, and that those financial statements would contain false and fraudulent statements and representations, and omit material facts, concerning the assets, liabilities, and revenues of the *MCA* enterprise, all in effort to mislead and deceive the *P&F Pension Fund* about the true financial condition of the *MCA* enterprise, which was represented to be substantially and materially better than it was in fact.

83. The direct financial losses suffered by the *P&F Pension Fund* as a result of the scheme to defraud are expected to total approximately $60 million.

THE WAREHOUSE LENDERS

84. The *MCA* enterprise received much of the capital it needed to operate from warehouse lenders, a process described above in Paragraphs 28-37. Over the years, the *MCA* enterprise's mortgage banking operations were funded by a number of warehouse lenders, including *Comerica Bank*, *DLJ Mortgage Capital, Inc*., *PNC Mortgage Bank, N.A.* and *Marine Midland Bank*. During the last few years of the existence of the *MCA* enterprise, its major warehouse lenders were *Paine Webber Real Estate Securities, Inc*., hereinafter referred to as "*Paine Webber*;" *Texas Commerce Bank, N.A.*; and a syndicate, or group, of financial institutions led by *Texas Commerce Bank, N.A. (TCB)*, which in January 1998 became *Chase Bank of Texas, N.A.*, hereinafter referred to as "*TCB/Chase*." This syndicate of financial institutions, the "*Warehouse Bank Group*," included *TCB/Chase*; *Residential Funding*

Corporation; *Guaranty Federal Bank, F.S.B.*; *Bank One, Texas, N.A.*; *The Bank of New York*; and *LaSalle National Bank*. A "seasoned" warehouse line of credit was provided to the *MCA* enterprise by a second syndicate of financial institutions consisting of *TCB/Chase* and *Coastal Banc ssb*, the "*Seasoned Warehouse Bank Group*."

85. It was also a part of the scheme that potential and current warehouse lenders would be provided with the consolidated financial statements of *MCA Financial Corp.* and its wholly owned subsidiaries, and that those financial statements would contain false and fraudulent statements and representations, and omit material facts, concerning the assets, liabilities, and revenues of the *MCA* enterprise, all in effort to mislead and deceive potential and current warehouse lenders about the true financial condition of the *MCA* enterprise, which was represented to be substantially and materially better than it was in fact.

86. It was also a part of the scheme that the *MCA* enterprise would pledge sham assets described above in Paragraphs 50-52 to the warehouse lenders as collateral.

87. It was also a part of the scheme that the *MCA* enterprise would pledge pool assets to the warehouse lenders as collateral that were beneficially owned not by any *MCA* entity but by private investors, i.e., the poolholders; thus, they were not the assets of the *MCA* enterprise, and they could not be used by the *MCA* enterprise

for its own benefit in any manner.

88. It was also a part of the scheme that the *MCA* enterprise would pledge as collateral to the warehouse lenders certain "stale" or "inactive" assets, which were land contract vendors' and subprime mortgage interests owned by the *MCA* enterprise, as well as pool assets, all of which were nonperforming and, therefore, not saleable in the secondary mortgage market at all, let alone saleable within the fixed period of time allowed by the warehouse loan agreements. When that period expired, the *MCA* enterprise would often fabricate new mortgage documents to make it appear that the subprime mortgage loans and land contracts embodied by the fabricated documents were brand new when in fact they were stale, unsaleable, and virtually worthless. Generally, whenever a stale mortgage or land contract interest was made to appear brand new, the *MCA* enterprise would pledge it as collateral to a different warehouse lender, and it would regularly "renew" such mortgage interest several times, switching it back and forth from one warehouse lender to another. Within the MCA enterprise, this fraudulent practice was called "remetering." Remetering enabled the *MCA* enterprise to maintain the false pretense for extended periods of time that the collateral pledged by it to the warehouse lenders was newly originated, readily saleable in the secondary mortgage market, and thus eligible to serve as collateral under the terms of the warehouse loan agreements. The remetering process was nothing more than a

massive, complex, and fraudulent juggling act designed to create and maintain the pretense that the lines of credit extended to the *MCA* enterprise were at all times properly secured by genuine collateral, when in fact the lines of credit were grossly undersecured. As a result of the remetering process, many of the *MCA* enterprise's land contract vendors' interests and subprime mortgage loans ended up being double-pledged: that is, they would be pledged as collateral for a warehouse line at the same time they were serving as collateral for another warehouse line.

89. The direct financial losses suffered by *Paine Webber*, the *Warehouse Bank Group*, and the *Seasoned Warehouse Bank Group* as a result of the scheme to defraud are expected to total, respectively, approximately $16 million, approximately $68 million, and approximately $17 million.

STERLING BANK AND TRUST

90. It was also a part of the scheme that *Mortgage Corporation of America* would sell some of its land contract vendors' interests to *Sterling Bank and Trust, F.S.B.*, hereinafter referred to as "*Sterling B&T*," and obtain funds from *Sterling B&T* by means of false and fraudulent pretenses and representations.

91. It was also a part of the scheme that *Mortgage Corporation of America* would represent to *Sterling B&T* in monthly reports that the delinquency rate on the land contract interests sold to *Sterling B&T* was approximately 6% or less when, in

fact, the delinquency rate was substantially higher.

92. The direct financial losses suffered by *Sterling B&T* as a result of the scheme to defraud are expected to total at least $10 million.

CRIMINAL CHARGES

COUNT ONE
(Conspiracy – 18 U.S.C. § 371)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS
D-7 JOHN P. O'LEARY

The Conspiracy

93. From approximately 1991 until the end of January 1999, in the Eastern District of Michigan, Southern Division, and elsewhere,

PATRICK D. QUINLAN, SR.,
LEE P. WELLS, and
JOHN P. O'LEARY,

defendants herein, and other individuals, did knowingly agree and conspire

> to devise, execute, and participate in a scheme to defraud and to obtain money by means of materially false and fraudulent pretenses, representations, and promises that (1) was furthered by the use of the U.S. Mail and by interstate wire transfers and (2) was directed, in part, against financial institutions whose deposits were insured by the Federal Deposit Insurance Corporation, all of which is conduct constituting the federal crimes of mail fraud (18 U.S.C. § 1341), wire fraud (18 U.S.C. § 1343), and bank fraud (18 U.S.C. § 1344), and

> to prepare, file, and caused to be filed with the *Securities and Exchange Commission* certain forms and reports that contained false and fraudulent statements and representations, and omitted material facts, concerning the assets, liabilities, and revenues of *MCA Financial Corp.* and its wholly owned subsidiaries, all of which is conduct constituting the federal crime of making false statements in a matter within the jurisdiction of a federal executive agency (18 U.S.C. § 1001),

all in violation of Section 371 of Title 18 of the United States Code.

Manner and Means of the Conspiracy

94. Paragraphs 48-92 are hereby realleged and incorporated by reference.

95. The Financial Management Committee (FMC) of *MCA Financial Corp*. would meet regularly, often once a week, to address matters relating to the finances of the *MCA* enterprise. The FMC had five members: **PATRICK D. QUINLAN, SR.**, **LEE P. WELLS**, KEITH D. PIETILA, ALEXANDER J. AJEMIAN, and **JOHN P. O'LEARY**. Because, for the most part, the operation of the *MCA* enterprise resulted in financial losses and a chronic shortage of cash, the chief and constant focus of the FMC was to raise enough cash to meet its immediate financial obligations and keep the *MCA* enterprise in business.

96. The FMC monitored and discussed all aspects of the operation of the *MCA* enterprise having a significant impact on the budget. The FMC made and implemented decisions relating to the immediate and projected cash needs of the *MCA* enterprise and all current and potential sources of capital for the payment of

debt and for funding the operations and expansion of the *MCA* enterprise.

97. The FMC also discussed and made and implemented decisions concerning the management of the *MCA* enterprise's relationships with, and the deception of, securities broker-dealers, potential and current investors, potential and current lenders, and outside auditors.

98. The FMC decided on numerous occasions that the *MCA* enterprise would use false and fraudulent pretenses, representations, and promises to induce securities broker-dealers to market and sell securities sponsored and issued by the *MCA* enterprise; to induce investors to purchase such securities; to make securities broker-dealers and investors believe that the securities sponsored and issued by the *MCA* enterprise were in full compliance with their offering materials (i.e., the confidential offering memoranda and supplements thereto and prospectuses); to induce institutional lenders to loan money or extend lines of credit or other credit facilities to the *MCA* enterprise; and to make lenders believe that the collateral for the credit they extended to the *MCA* enterprise was genuine and valuable and that the *MCA* entities were in full compliance with their affirmative covenants to their lenders, which were set forth in various loan and credit agreements.

99. **PATRICK D. QUINLAN, SR.**, the founder of the *MCA* enterprise, the Chief Executive Officer, the Chairman of the Board, and a major shareholder of *MCA Financial Corp.*, was the most powerful individual within the *MCA* enterprise. And

he was the most dominant member of the FMC. QUINLAN participated in all major decisions concerning the operations of the *MCA* enterprise and developed its overall business plans and strategies. He also devised many of the *MCA* enterprise's key financial strategies, including facets of the scheme to defraud.

100. **LEE P. WELLS**, the President and Chief Operating Officer of *MCA Financial Corp.*, was responsible for, among other things, mortgage banking operations and for the sponsorship, issuance, marketing, and sale of the securities of *Mortgage Corporation of America* and *MCA Financial Corp*. WELLS was a member of the FMC, and participated in many major decisions concerning the finances of the *MCA* enterprise. WELLS also participated in the development and maintenance of relationships between the *MCA* enterprise and the securities broker-dealers who agreed to sell its securities and between the *MCA* enterprise and its lenders. WELLS was one of the seven directors of *MCA Financial Corp.*

101. KEITH D. PIETILA, the Executive Vice President and Chief Financial Officer of *MCA Financial Corp.*, was responsible for, among other things, raising capital for the *MCA* enterprise and for reviewing and approving major expenditures. PIETILA was a member of the FMC, and he participated in the development and maintenance of relationships between the *MCA* enterprise and its lenders. PIETILA was one of the seven directors of *MCA Financial Corp.*

102. ALEXANDER J. AJEMIAN, a Senior Vice President and the Controller and

Treasurer of *MCA FINANCIAL CORP.*, was in charge of the accounting department of *MCA Financial Corp.* and was responsible for, among other things, tracking the assets and liabilities of the *MCA* enterprise and the cash flows into and out of the *MCA* enterprise. AJEMIAN was a member of the FMC, and he kept the FMC fully informed and updated about the immediate and projected financial condition and cash needs of the *MCA* enterprise, and about the potential impact of certain decisions on revenues and expenses.

103. **JOHN P. O'LEARY**, the Senior Vice President for Corporate Finance of *MCA Financial Corp.*, was responsible for, among other things, raising capital for the *MCA* enterprise; running the loan servicing operations of the *MCA* enterprise; monitoring the movement, use, and disposition of pool assets; tracking the status of the *MCA* enterprise's related-party land contract vendors' and subprime mortgage interests; and participating in, directing, and supervising the remetering process in connection with the *MCA* enterprise's warehouse lines of credit. O'LEARY was a member of the FMC, and he organized the financial affairs and records of the *MCA* enterprise in a manner that minimized the risk of the discovery of fraud by securities broker-dealers, lenders, and outside auditors.

104. Every member of the FMC was aware of and discussed matters relating to all major facets of the scheme, and directly participated in one or more major facets of the scheme.

Overt Acts

105. The following overt acts were committed by members of the conspiracy during and in furtherance of the conspiracy:

106. On or about April 26, 1996, **PATRICK D. QUINLAN, SR.** signed the *SEC* Form 10-K (annual report) for the fiscal year ending January 31, 1996, for *MCA Financial Corp.* as its "Principal Executive Officer" and its Chairman.

107. On or about April 26, 1996, **LEE P. WELLS** signed the *SEC* Form 10-K (annual report) for the fiscal year ending January 31, 1996, for *MCA Financial Corp.* as one of its Directors.

108. On or about May 29, 1996, **PATRICK D. QUINLAN, SR.** signed *SEC* Form S-1 (registration statement) for an *MCA Financial Corp.* security referred to as "__% Subordinated Debentures, Series 1996" as its "Principal Executive Officer" and its Chairman.

109. On or about May 29, 1996, **LEE P. WELLS** signed *SEC* Form S-1 (registration statement) for an *MCA Financial Corp.* security referred to as "__% Subordinated Debentures, Series 1996" as one of its Directors.

110. On or about June 3, 1996, **JOHN P. O'LEARY** wrote and distributed a memorandum to the FMC entitled "Warehouse Strategies."

111. On or about July 18, 1996, **PATRICK D. QUINLAN, SR.** signed the Loan and

Financing Agreement between the *MCA* enterprise and the *P&F Pension Fund* as the President of *Complete Financial Corp.*, and he signed the related Certified Copy of Corporate Resolutions of *MCA Financial Corp.* as its Chairman.

112. On or about July 18, 1996, **LEE P. WELLS** signed the Loan and Financing Agreement between the *MCA* enterprise and the *P&F Pension Fund* as the President of *MCA Mortgage Corporation*.

113. On or about July 18, 1996, **JOHN P. O'LEARY** signed the Certified Copy of Corporate Resolutions of *MCA Mortgage Corporation* as one of its Vice Presidents, which related to a loan from the *P&F Pension Fund* to the *MCA* enterprise.

114. On or about April 29, 1997, **PATRICK D. QUINLAN, SR.** signed the *SEC* Form 10-K (annual report) for the fiscal year ending January 31, 1997, for *MCA Financial Corp.* as its "Principal Executive Officer" and its Chairman.

115. On or about April 29, 1997, **LEE P. WELLS** signed the *SEC* Form 10-K (annual report) for the fiscal year ending January 31, 1997, for *MCA Financial Corp.* as one of its Directors.

116. On or about May 15, 1997, **PATRICK D. QUINLAN, SR.** signed *SEC* Form S-1 (registration statement) for an *MCA Financial Corp.* security referred to as "__% Subordinated Debentures, Series 1997" as its "Principal Executive Officer" and its Chairman.

117. On or about May 15, 1997, **LEE P. WELLS** signed *SEC* Form S-1 (registration statement) for an *MCA Financial Corp.* security referred to as "__% Subordinated Debentures, Series 1997" as one of its Directors.

118. On or about October 31, 1997, **LEE P. WELLS** signed the 10/97 Senior Secured Warehouse Credit Agreement between the *MCA* enterprise and the *Warehouse Bank Group* as the President of *MCA Mortgage Corporation*.

119. On or about October 31, 1997, **LEE P. WELLS** signed the 10/97 Senior Secured Seasoned Warehouse Credit Agreement between the *MCA* enterprise and the *Seasoned Warehouse Bank Group* as the President of *MCA Mortgage Corporation*.

120. On numerous occasions in 1996, 1997, and 1998, **JOHN P. O'LEARY** would prepare and distribute to the FMC "Warehouse Updates" and "Weekly Warehouse Activity" reports.

121. On or about March 6, 1998, KEITH D. PIETILA signed the Second Loan and Financing Agreement between the *MCA* enterprise and the *P&F Pension Fund* as the Executive Vice President of *MCA Financial Corp.*

122. On or about March 6, 1998, **JOHN P. O'LEARY** signed the Second Loan and Financing Agreement between the *MCA* enterprise and the *P&F Pension Fund* as a Vice President of of *MCA Mortgage Corporation*.

123. On or about March 6, 1998, **JOHN P. O'LEARY** signed the First Amendment to the Amended and Restated Credit Enhancement Umbrella Agreement between the *MCA* enterprise and the *P&F Pension Fund*.

124. On or about April 29, 1998, **PATRICK D. QUINLAN, SR.** signed the *SEC* Form 10-K (annual report) for the fiscal year ending January 31, 1998, for *MCA Financial Corp.* as its "Principal Executive Officer" and its Chairman.

125. On or about April 29, 1998, **LEE P. WELLS** signed the *SEC* Form 10-K (annual report) for the fiscal year ending January 31, 1998, for *MCA Financial Corp.* as one of its directors.

126. On or about May 21, 1998, **LEE P. WELLS** signed the 05/98 Amendment to (the 10/97) Senior Secured Warehouse Credit Agreement between the *MCA* enterprise and the *Warehouse Bank Group* as the President of *Mortgage Corporation of America*.

127. On or about May 21, 1998, **JOHN P. O'LEARY** signed the 05/98 Amendment to (the 10/97) Senior Secured Warehouse Credit Agreement between the *MCA* enterprise and the *Warehouse Bank Group* as the Senior Vice President of *MCA Mortgage Corporation*.

128. On or about July 31, 1998, **LEE P. WELLS** signed the 7/98 Amendment to (the 10/97) Senior Secured Warehouse Credit Agreement between the *MCA*

enterprise and the *Warehouse Bank Group* as the President of *MCA Mortgage Corporation*.

129. On or about October 31, 1998, **LEE P. WELLS** signed the 10/98 Amendment to (the 10/97) Senior Secured Warehouse Credit Agreement between the *MCA* enterprise and the *Warehouse Bank Group* as the President of *MCA Mortgage Corporation*.

130. On or about October 31, 1998, **LEE P. WELLS** signed the 10/98 Amended and Restated Senior Secured Seasoned Warehouse Credit Agreement between the *MCA* enterprise and the *Seasoned Warehouse Bank Group* as the President of *MCA Mortgage Corporation*.

COUNT TWO

(Mail Fraud – 18 U.S.C. § 1341)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS
D-7 JOHN P. O'LEARY

131. Paragraphs 48-92 are hereby realleged and incorporated by reference.

132. On or about July 28, 1997, for the purpose of executing the scheme, **PATRICK D. QUINLAN, SR.**, **LEE P. WELLS**, and **JOHN P. O'LEARY**, defendants herein, and other individuals, did knowingly cause to be delivered by the U.S. Postal Service numerous distribution checks, statements of account, and cover letters relating to *Mortgage Corporation of America* pass-through certificates, which were mailed from

the offices of the *MCA* enterprise, in Southfield, Michigan, in the Eastern District of Michigan, Southern Division, to the poolholders or their agents, who were located in Michigan and in a number of other states, in violation of Section 1341 of Title 18 of the United States Code.

COUNT THREE

(Mail Fraud – 18 U.S.C. § 1341)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS
D-7 JOHN P. O'LEARY

133. Paragraphs 48-92 are hereby realleged and incorporated by reference.

134. On or about October 28, 1997, for the purpose of executing the scheme, **PATRICK D. QUINLAN, SR.**, **LEE P. WELLS**, and **JOHN P. O'LEARY**, defendants herein, and other individuals, did knowingly cause to be delivered by the U.S. Postal Service numerous distribution checks, statements of account, and cover letters relating to *Mortgage Corporation of America* pass-through certificates, which were mailed from the offices of the *MCA* enterprise, in Southfield, Michigan, in the Eastern District of Michigan, Southern Division, to the poolholders or their agents, who were located in Michigan and in a number of other states, in violation of Section 1341 of Title 18 of the United States Code.

COUNT FOUR
(Mail Fraud – 18 U.S.C. § 1341)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS
D-7 JOHN P. O'LEARY

135. Paragraphs 48-92 are hereby realleged and incorporated by reference.

136. On or about January 28, 1998, for the purpose of executing the scheme, **PATRICK D. QUINLAN, SR.**, **LEE P. WELLS**, and **JOHN P. O'LEARY**, defendants herein, and other individuals, did knowingly cause to be delivered by the U.S. Postal Service numerous distribution checks, statements of account, and cover letters relating to *Mortgage Corporation of America* pass-through certificates, which were mailed from the offices of the *MCA* enterprise, in Southfield, Michigan, in the Eastern District of Michigan, Southern Division, to the poolholders or their agents, who were located in Michigan and in a number of other states, in violation of Section 1341 of Title 18 of the United States Code.

COUNT FIVE
(Mail Fraud – 18 U.S.C. § 1341)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS
D-7 JOHN P. O'LEARY

137. Paragraphs 48-92 are hereby realleged and incorporated by reference.

138. On or about April 28, 1998, for the purpose of executing the scheme,

PATRICK D. QUINLAN, SR., **LEE P. WELLS**, and **JOHN P. O'LEARY**, defendants herein, and other individuals, did knowingly cause to be delivered by the U.S. Postal Service numerous distribution checks, statements of account, and cover letters relating to *Mortgage Corporation of America* pass-through certificates, which were mailed from the offices of the *MCA* enterprise, in Southfield, Michigan, in the Eastern District of Michigan, Southern Division, to the poolholders or their agents, who were located in Michigan and in a number of other states, in violation of Section 1341 of Title 18 of the United States Code.

COUNT SIX
(Mail Fraud – 18 U.S.C. § 1341)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS
D-7 JOHN P. O'LEARY

139. Paragraphs 48-92 are hereby realleged and incorporated by reference.

140. On or about July 28, 1998, for the purpose of executing the scheme, **PATRICK D. QUINLAN, SR.**, **LEE P. WELLS**, and **JOHN P. O'LEARY**, defendants herein, and other individuals, did knowingly cause to be delivered by the U.S. Postal Service numerous distribution checks, statements of account, and cover letters relating to *Mortgage Corporation of America* pass-through certificates, which were mailed from the offices of the *MCA* enterprise, in Southfield, Michigan, in the Eastern District of

Michigan, Southern Division, to the poolholders or their agents, who were located in Michigan and in a number of other states, in violation of Section 1341 of Title 18 of the United States Code.

COUNT SEVEN
(Mail Fraud – 18 U.S.C. § 1341)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS
D-7 JOHN P. O'LEARY

141. Paragraphs 48-92 are hereby realleged and incorporated by reference.

142. On or about October 28, 1998, for the purpose of executing the scheme, **PATRICK D. QUINLAN, SR.**, **LEE P. WELLS**, and **JOHN P. O'LEARY**, defendants herein, and other individuals, did knowingly cause to be delivered by the U.S. Postal Service numerous distribution checks, statements of account, and cover letters relating to *Mortgage Corporation of America* pass-through certificates, which were mailed from the offices of the *MCA* enterprise, in Southfield, Michigan, in the Eastern District of Michigan, Southern Division, to the poolholders or their agents, who were located in Michigan and in a number of other states, in violation of Section 1341 of Title 18 of the United States Code.

COUNT EIGHT

(Wire Fraud – 18 U.S.C. § 1343)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS
D-7 JOHN P. O'LEARY

143. Paragraphs 48-92 are hereby realleged and incorporated by reference.

144. This violation affected several financial institutions whose deposits were then insured by the Federal Deposit Insurance Corporation, including *PNC Mortgage Bank, N.A.*; *Marine Midland Bank; Texas Commerce Bank, N.A.*; and *Chase Bank of Texas, N.A.*

145. On a number of occasions during the period November 1995 through January 1999, for the purpose of executing the scheme, **PATRICK D. QUINLAN, SR.**, **LEE P. WELLS**, and **JOHN P. O'LEARY**, defendants herein, and other individuals, did knowingly cause to be transmitted by means of wire in interstate commerce certain writings, signs, signals, and sounds, which constituted wire transfers of funds moving from one or more bank accounts of *Paine Webber Real Estate Securities, Inc*. or a corporation affiliated therewith that were located in the State of New York to one or more bank accounts located in metropolitan Detroit, in the Eastern District of Michigan, Southern Division, in violation of Section 1343 of Title 18 of the United States Code.

COUNT NINE

(Wire Fraud – 18 U.S.C. § 1343)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS
D-7 JOHN P. O'LEARY

146. Paragraphs 48-92 are hereby realleged and incorporated by reference.

147. This violation affected several financial institutions whose deposits were then insured by the Federal Deposit Insurance Corporation, including *Texas Commerce Bank, N.A*; *Chase Bank of Texas, N.A.*; *Guaranty Federal Bank, F.S.B.*; *Bank One, Texas, N.A.*; *The Bank of New York*; and *LaSalle National Bank*.

148. On a number of occasions during the period September 1996 through January 1999, for the purpose of executing the scheme, **PATRICK D. QUINLAN, SR.**, **LEE P. WELLS**, and **JOHN P. O'LEARY**, defendants herein, and other individuals, did knowingly cause to be transmitted by means of wire in interstate commerce certain writings, signs, signals, and sounds, which constituted wire transfers of funds moving from one or more bank accounts of *Texas Commerce Bank, N.A.* and *Chase Bank of Texas, N.A.* that were located in the State of Texas to one or more bank accounts located in metropolitan Detroit, in the Eastern District of Michigan, Southern Division, in violation of Section 1343 of Title 18 of the United States Code.

COUNT TEN

(Wire Fraud – 18 U.S.C. § 1343)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS
D-7 JOHN P. O'LEARY

149. Paragraphs 48-92 are hereby realleged and incorporated by reference.

150. This violation affected *Sterling Bank and Trust, F.S.B.*, a financial institution whose deposits were then insured by the Federal Deposit Insurance Corporation.

151. On or about July 19, 1996, for the purpose of executing the scheme, **PATRICK D. QUINLAN, SR.**, **LEE P. WELLS**, and **JOHN P. O'LEARY**, defendants herein, and other individuals, did knowingly cause to be transmitted by means of wire in interstate commerce certain writings, signs, signals, and sounds, which constituted a wire transfer of $15 million of funds moving from a bank account of the *P&F Pension Fund* to a bank account of *Sterling Bank and Trust, F.S.B.*, the escrow agent for the $15 loan from the *P&F Pension Fund* to the *MCA* enterprise, located in metropolitan Detroit, in the Eastern District of Michigan, Southern Division, in violation of Section 1343 of Title 18 of the United States Code.

COUNT 11
(Wire Fraud – 18 U.S.C. § 1343)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS
D-7 JOHN P. O'LEARY

152. Paragraphs 48-92 are hereby realleged and incorporated by reference.

153. This violation affected *Sterling Bank and Trust, F.S.B.*, a financial institution whose deposits were then insured by the Federal Deposit Insurance Corporation.

154. On or about March 6, 1998, for the purpose of executing the scheme, **PATRICK D. QUINLAN, SR.**, **LEE P. WELLS**, and **JOHN P. O'LEARY**, defendants herein, and other individuals, did knowingly cause to be transmitted by means of wire in interstate commerce certain writings, signs, signals, and sounds, which constituted a wire transfer of $30 million of funds moving from a bank account of the *P&F Pension Fund* to a bank account of *Sterling Bank and Trust, F.S.B.*, the escrow agent for the $30 loan from the *P&F Pension Fund* to the *MCA* enterprise, located in metropolitan Detroit, in the Eastern District of Michigan, Southern Division, in violation of Section 1343 of Title 18 of the United States Code.

COUNT 12
(Bank Fraud – 18 U.S.C. § 1344)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS
D-7 JOHN P. O'LEARY

155. Paragraphs 90-92 are hereby realleged and incorporated by reference.

156. From approximately December 1992 to approximately January 1999, in the Eastern District of Michigan, Southern Division, **PATRICK D. QUINLAN, SR.**, **LEE P. WELLS**, and **JOHN P. O'LEARY**, defendants herein, and other individuals, did knowingly execute a scheme to defraud *Sterling Bank & Trust, F.S.B.* and obtain funds under the custody and control of *Sterling B&T* by means of false and fraudulent pretenses and representations, in violation of Section 1344 of Title 18 of the United States Code.

COUNT 13
(False Statements to Federal Agency – 18 U.S.C. § 1001)

D-5 PATRICK D. QUINLAN, SR.

157. Paragraphs 55-61 are hereby realleged and incorporated by reference.

158. On or about June 13, 1997, in the Eastern District of Michigan, Southern Division, **PATRICK D. QUINLAN, SR.**, defendant herein, and other individuals, did, in a matter within the jurisdiction of the *Securities and Exchange Commission*, knowingly and willfully make, cause to be made, and aid and abet in the making of

materially false and fraudulent statements and representations in — and did knowingly and willfully conceal by trick, scheme, and device and aid and abet in the concealment of certain material facts that were omitted from — a Form 10-Q (quarterly report) for the quarter ending April 30, 1997, for *MCA Financial Corp.*, all in violation of Sections 1001 and 2 of Title 18 of the United States Code.

COUNT 14

(False Statements to Federal Agency – 18 U.S.C. § 1001)

D-5 PATRICK D. QUINLAN, SR.

159. Paragraphs 55-61 are hereby realleged and incorporated by reference.

160. On or about September 15, 1997, in the Eastern District of Michigan, Southern Division, **PATRICK D. QUINLAN, SR.**, defendant herein, and other individuals, did, in a matter within the jurisdiction of the *Securities and Exchange Commission*, knowingly and willfully make, cause to be made, and aid and abet in the making of materially false and fraudulent statements and representations in — and did knowingly and willfully conceal by trick, scheme, and device and aid and abet in the concealment of certain material facts that were omitted from — a Form 10-Q (quarterly report) for the quarter ending July 31, 1997, for *MCA Financial Corp.*, all in violation of Sections 1001 and 2 of Title 18 of the United States Code.

COUNT 15

(False Statements to Federal Agency – 18 U.S.C. § 1001)

D-5 PATRICK D. QUINLAN, SR.

161. Paragraphs 55-61 are hereby realleged and incorporated by reference.

162. On or about December 15, 1997, in the Eastern District of Michigan, Southern Division, **PATRICK D. QUINLAN, SR.**, defendant herein, and other individuals, did, in a matter within the jurisdiction of the *Securities and Exchange Commission*, knowingly and willfully make, cause to be made, and aid and abet in the making of materially false and fraudulent statements and representations in — and did knowingly and willfully conceal by trick, scheme, and device and aid and abet in the concealment of certain material facts that were omitted from — a Form 10-Q (quarterly report) for the quarter ending October 31, 1997, for *MCA Financial Corp.*, all in violation of Sections 1001 and 2 of Title 18 of the United States Code.

COUNT 16

(False Statements to Federal Agency – 18 U.S.C. § 1001)

D-5 PATRICK D. QUINLAN, SR.
D-6 LEE P. WELLS

163. Paragraphs 55-61 are hereby realleged and incorporated by reference.

164. On or about May 1, 1998, in the Eastern District of Michigan, Southern Division, **PATRICK D. QUINLAN, SR.** and **LEE P. WELLS**, defendants herein, and other

individuals, did, in a matter within the jurisdiction of the *Securities and Exchange Commission*, knowingly and willfully make, cause to be made, and aid and abet in the making of materially false and fraudulent statements and representations in — and did knowingly and willfully conceal by trick, scheme, and device and aid and abet in the concealment of certain material facts that were omitted from — a Form 10-K (annual report) for the fiscal year ending January 31, 1998, for *MCA Financial Corp.*, all in violation of Sections 1001 and 2 of Title 18 of the United States Code.

COUNT 17

(False Statements to Federal Agency – 18 U.S.C. § 1001)

D-5 PATRICK D. QUINLAN, SR.

165. Paragraphs 55-61 are hereby realleged and incorporated by reference.

166. On or about June 15, 1998, in the Eastern District of Michigan, Southern Division, **PATRICK D. QUINLAN, SR.**, defendant herein, and other individuals, did, in a matter within the jurisdiction of the *Securities and Exchange Commission*, knowingly and willfully make, cause to be made, and aid and abet in the making of materially false and fraudulent statements and representations in — and did knowingly and willfully conceal by trick, scheme, and device and aid and abet in the concealment of certain material facts that were omitted from — a Form 10-Q (quarterly report) for the quarter ending April 30, 1998, for *MCA Financial Corp.*, all in violation of Sections 1001 and 2 of Title 18 of the United States Code.

COUNT 18

(False Statements to Federal Agency – 18 U.S.C. § 1001)

D-5 PATRICK D. QUINLAN, SR.

167. Paragraphs 55-61 are hereby realleged and incorporated by reference.

168. On or about June 15, 1998, in the Eastern District of Michigan, Southern Division, **PATRICK D. QUINLAN, SR.**, defendant herein, and other individuals, did, in a matter within the jurisdiction of the *Securities and Exchange Commission*, knowingly and willfully make, cause to be made, and aid and abet in the making of materially false and fraudulent statements and representations in — and did knowingly and willfully conceal by trick, scheme, and device and aid and abet in the concealment of certain material facts that were omitted from — a Form 10-Q (quarterly report) for the quarter ending April 30, 1998, for *MCA Financial Corp.*, all in violation of Sections 1001 and 2 of Title 18 of the United States Code.

COUNT 19

(False Statements to Federal Agency – 18 U.S.C. § 1001)

D-5 PATRICK D. QUINLAN, SR.

169. Paragraphs 55-61 are hereby realleged and incorporated by reference.

170. On or about September 14, 1998, in the Eastern District of Michigan, Southern Division, **PATRICK D. QUINLAN, SR.**, defendant herein, and other individuals, did, in a matter within the jurisdiction of the *Securities and Exchange Commission*,

knowingly and willfully make, cause to be made, and aid and abet in the making of materially false and fraudulent statements and representations in — and did knowingly and willfully conceal by trick, scheme, and device and aid and abet in the concealment of certain material facts that were omitted from — a Form 10-Q (quarterly report) for the quarter ending July 31, 1998, for *MCA Financial Corp.*, all in violation of Sections 1001 and 2 of Title 18 of the United States Code.

COUNT 20

(False Statements to Federal Agency – 18 U.S.C. § 1001)

D-5 PATRICK D. QUINLAN, SR.

171. Paragraphs 55-61 are hereby realleged and incorporated by reference.

172. On or about December 15, 1998, in the Eastern District of Michigan, Southern Division, **PATRICK D. QUINLAN, SR.**, defendant herein, and other individuals, did, in a matter within the jurisdiction of the *Securities and Exchange Commission*, knowingly and willfully make, cause to be made, and aid and abet in the making of materially false and fraudulent statements and representations in — and did knowingly and willfully conceal by trick, scheme, and device and aid and abet in the concealment of certain material facts that were omitted from — a Form 10-Q (quarterly report) for the quarter ending October 31, 1998, for *MCA Financial Corp.*,

all in violation of Sections 1001 and 2 of Title 18 of the United States Code.

THIS IS A TRUE BILL.

/ S /
Foreperson

JEFFREY G. COLLINS
United States Attorney

/ S /
BLONDELL L. MOREY (P23396)
Assistant United States Attorney
Chief, Economic Crimes Unit

/ S /
STEPHEN L. HIYAMA (P32236)
Assistant United States Attorney

/ S /
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Date: June 11, 2002