

<p>DISTRICT COURT, CITY AND COUNTY OF DENVER, COLORADO</p> <p>1437 Bannock Street Denver, Colorado 80202</p> <hr/> <p>STATE OF COLORADO, <i>ex rel.</i> John W. Suthers, Attorney General,</p> <p>Plaintiff,</p> <p>v.</p> <p>JASON L. LYNN, an individual; and SUPERIOR FINANCIAL GROUP, LLC, a Colorado limited liability company,</p> <p>Defendants.</p>	<p><b>FILED Document</b> <b>CO Denver County District Court 2nd JD</b> <b>Filing Date: Oct 14 2010 12:06PM MDT</b> <b>Filing ID: 33809379</b> <b>Review Clerk: Matthew Palmer</b></p> <p><b>▲ COURT USE ONLY ▲</b></p>
<p>JOHN W. SUTHERS, Attorney General ANDREW P. McCALLIN, First Assistant Attorney General, Reg. No. 20909* ERIK R. NEUSCH, Assistant Attorney General, Reg. No. 33146* 1525 Sherman Street Denver, Colorado 80203 Phone: 303-866-5079 *Counsel of Record</p>	<p>Case No.:</p> <p>Courtroom:</p>
<p><b>COMPLAINT</b></p>	

Plaintiff, the State of Colorado, upon relation of John W. Suthers, Attorney General for the State of Colorado, by and through the undersigned counsel, states and alleges as follows:

**INTRODUCTION**

1. This matter is a civil law enforcement action by the State of Colorado, *ex rel.* John W. Suthers, Attorney General for the State of Colorado, under the Colorado Consumer Protection Act, C.R.S. §§ 6-1-101 – 6-1-1120, to permanently enjoin Defendants, including Jason L. Lynn, individually, from engaging in deceptive trade practices, to obtain civil penalties and restitution, to disgorge unjust proceeds, and to recover attorney fees and costs.

**PARTIES**

2. John W. Suthers is the duly elected Attorney General for the State of Colorado

and has express authority under C.R.S. § 6-1-103 to enforce and prosecute violations of the Colorado Consumer Protection Act.

3. Defendant Jason Lawrence Lynn (DOB 03/10/1977) is an individual residing, upon information and belief, at 975 Champagne Drive, Marion, Ohio 43302. Until in or around September 2009, Lynn was a resident of Colorado. Lynn was the owner and managing member of Superior Financial Group, LLC, and he acted individually and in concert with the Superior Financial Group, LLC to commit unlawful acts. He is a foreclosure consultant within the meaning of the Colorado Foreclosure Protection Act, C.R.S. §§ 6-1-1101 – 6-1-1120.

4. Defendant Superior Financial Group, LLC is a limited liability company organized by Lynn under Colorado law on January 6, 2005 and dissolved by Lynn on November 2, 2009. It had principal street addresses at 3252 West Yarrow Circle, Superior, Colorado 80027 and 525 South Snowmass Circle, Superior, Colorado 80027, which were the homes of Jason Lynn. Superior Financial Group, LLC is a foreclosure consultant within the meaning of the Colorado Foreclosure Protection Act.

5. Lynn at all times personally conceived, approved of, directed, actively participated in, and cooperated in all the acts by Superior Financial Group, LLC, and thus is personally liable for all conduct by Superior Financial Group, LLC and its agents.

### **JURISDICTION AND VENUE**

6. This Court has jurisdiction to enforce the Colorado Consumer Protection Act under C.R.S. §§ 6-1-103 and 6-1-110.

7. Under C.R.S. § 6-1-103 of the Colorado Consumer Protection Act, venue is proper in the City and County of Denver because at least a portion of the transactions involving deceptive trade practices occurred in the City and County of Denver. Defendants defrauded several residents of the City and County of Denver through sale-leaseback schemes involving real property located in the City and County of Denver.

### **RELEVANT TIMES**

8. Plaintiff timely files this action under C.R.S. § 6-1-115, because it is commenced within three years after the date on which the false, misleading, or deceptive act or practices occurred or the date on which the last in a series of such acts or practices occurred or within three years after the consumer discovered or in the exercise of reasonable diligence should have discovered the occurrence of the false, misleading, or deceptive act or practice.

### **PUBLIC INTEREST**

9. Through the unlawful practices of their business, vocation, or occupation, Lynn and Superior Financial Group, LLC deceived, misled, and financially injured Colorado

homeowners by stripping hundreds of thousands of dollars in equity from them between 2005 and 2007. Using his company, Superior Financial Group, LLC, Lynn deceived Colorado homeowners through unlawful foreclosure consulting services, including sale-leaseback schemes, that unjustly enriched Lynn and deprived homeowners of substantial equity.

10. In enacting the Colorado Foreclosure Protection Act, the Colorado General Assembly declared that violations of the act have a significant public impact. C.R.S. § 6-1-1102.

11. Lynn's unlawful practices resulted not only in the homeowners' loss of equity up to \$106,994 per transaction in their homes to him through a deceptive proceed assignment at closing, but also frequently the loss of their homes to eviction or foreclosure. Lynn targeted and preyed on financially unsophisticated and vulnerable homeowners by convincing them that the best way to save their home was to sell it to an investor from whom the seller would then lease the property back with an option to repurchase. Lynn failed to disclose to the sellers, or affirmatively misled them regarding, the fact, purpose, or amount of the proceed assignment.

12. Nearly all the sellers were unable to repurchase their homes and instead lost them to eviction or foreclosure when Lynn's investor allowed the home to go to foreclosure. This unlawful scheme devastated distressed Colorado homeowners in foreclosure who believed that they were saving their home from foreclosure by working with Lynn.

13. Since approximately June 2006 through 2007, Lynn obtained from Colorado homeowners equity in excess of \$1,000,000 through this foreclosure rescue scheme.

14. Accordingly, the Colorado Attorney General believes that these legal proceedings are in the public interest and necessary to protect consumers from this unlawful conduct, punish Defendants, and deter future wrongdoing.

## **STATUTORY BACKGROUND**

### **A. The Colorado Foreclosure Protection Act**

15. The Colorado General Assembly enacted the Colorado Foreclosure Protection Act, effective May 30, 2006, to protect homeowners in foreclosure from various conduct by foreclosure consultants.

16. As the legislative declaration for the Colorado Foreclosure Protection states: "Unfortunately, too many home owners in financial distress, especially the poor, elderly, and financially unsophisticated, are vulnerable to a variety of deceptive or unconscionable business practices designed to dispossess them or otherwise strip the equity from their homes." C.R.S. § 6-1-1102.

17. The Colorado Foreclosure Protection Act was enacted to "prevent the most deceptive and unconscionable of these business practices, to provide each home owner with

information necessary to make an informed and intelligent decision regarding transactions with certain foreclosure consultants and equity purchasers, to provide certain minimum requirements for contracts between such parties, including statutory right to cancel such contracts, and to ensure and foster fair dealing in the sale and purchase of homes in foreclosure.” C.R.S. § 6-1-1102.

18. Under the Colorado Foreclosure Protection Act, the term “foreclosure consultant” “means a person who does not, directly or through an associate, take or acquire any interest in or title to the residence in foreclosure and who, in the course of such person's business, vocation, or occupation, makes a solicitation, representation, or offer to a home owner to perform, in exchange for compensation from the home owner or from the proceeds of any loan or advance of funds, a service that the person represents will . . . [s]top or postpone a foreclosure sale.” C.R.S. § 6-1-1103(4)(a)(I).

19. The version of the Colorado Foreclosure Protection relevant to the events in this case applied to a “residence in foreclosure,” which means “a residence or dwelling . . . that is occupied as the home owner’s principal place of residence and against which any type of foreclosure action has been commenced.” C.R.S. § 6-1-1103(8) (2006).

20. The Colorado Foreclosure Protection Act contains requirements for contracts used by foreclosure consultants and prohibits certain conduct by foreclosure consultants, including unconscionable terms and circumstances. C.R.S. §§ 6-1-1104 – 6-1-1110.

## **B. The Colorado Consumer Protection Act**

21. The Colorado Consumer Protection Act prohibits deceptive trade practices as set forth in C.R.S. § 6-1-105. A violation of the Colorado Foreclosure Protection Act is a violation of the Colorado Consumer Protection Act. C.R.S. § 6-1-105(1)(xx).

22. The Colorado Consumer Protection Act authorizes the Attorney General to obtain consumer restitution under C.R.S. § 6-1-110(1), civil penalties under C.R.S. § 6-1-112(1), and attorney fees and costs under C.R.S. § 6-1-113(4).

## **GENERAL ALLEGATIONS**

23. Beginning in 2005 and continuing through 2007, Jason Lynn, acting through his company Superior Financial Group, LLC, targeted financially unsophisticated and vulnerable Colorado homeowners in foreclosure and obtained more than \$1,000,000 of equity through unlawful foreclosure consulting services involving sale-leaseback schemes. Lynn executed this scheme through the use of disparate bargaining power and inadequate disclosures. Homeowners not only lost all their equity to Lynn but in some cases their homes to eviction.

24. Lynn promised victims that they could save their homes from foreclosure by

selling them to Lynn's investors and then leasing the home from the investor for two years with an option to repurchase it. Upon information and belief, nearly all the homeowners were unable to repurchase the home, in part because significant amounts of equity were stripped from the home for Lynn's personal use and to compensate his investors, and the repurchase price was therefore unreasonable.

25. Rather than provide meaningful assistance to homeowners, Lynn obtained substantial equity from the homeowners at closing without disclosing the amount and purpose of the sales proceed assignment to Lynn.

26. Through advertisements on television and in newspapers and through referrals, Lynn targeted financially unsophisticated and vulnerable homeowners who had significant equity in their homes as a result of lengthy ownership, but nevertheless faced foreclosure because of economic hardship or personal tragedy.

27. Lynn induced these homeowners to sell their homes to avoid a foreclosure sale, stay in their longtime homes, and have a opportunity to resume ownership. Some of the homeowners had spent many years, and some decades, in their homes and wanted to remain and once again repurchase their homes—and where thus susceptible to Lynn's deception and predatory conduct.

28. After determining the amount of equity that could be obtained based on the existing mortgage and the estimated value, Lynn approached homeowners with a sale contract and a lease agreement containing an option to repurchase the property. Homeowners were not allowed to negotiate the sale price of their home or the repurchase price. Rather, Lynn misled the homeowners to believe that working with Superior Financial Group, LLC was the best way to save their home. Through deceptive, false, and misleading conduct, Lynn induced the victims to sign the sale contract and lease agreement.

29. Lynn promised the victims that once they sell the home, they would remain in the home as a tenant with the option to repurchase the home when their credit or financial condition improved. Lynn informed the victims that he would use the equity from the sale, which was transferred at closing to Superior Financial Group, LLC through a proceed assignment, to assist the homeowners with rent payments and repairs. At no time, however, did Lynn disclose the actual purpose or amount of the proceed assignment. Moreover, he did not disclose that he himself would use the homeowner's equity for his personal use.

30. At the closing, the homeowner victims would assign, without warning or disclosure, all the equity in their home through a proceed assignment to Superior Financial Group, LLC, which was presented to them for the first time at the closing.

31. Lynn obtained equity from the victims up to \$106,994 per transaction. The victims not only lost substantial equity in their homes as a result of this scheme, but many also lost the homes when they were evicted or forced to leave when the investor allowed the home to

go into foreclosure.

32. On June 26, 2006, a Denver victim assigned to Lynn \$55,941 at closing and was evicted from her home in 2009 when the investor allowed the home to go to foreclosure.

33. On September 1, 2006, a Denver victim assigned to Lynn \$47,069 at closing.

34. On October 13, 2006, a Denver victim assigned to Lynn \$47,708 at closing.

35. On November 16, 2006, a Denver victim assigned to Lynn \$106,994 at closing and was then evicted from her home in 2009 when the investor allowed the home to go to foreclosure.

36. On January 29, 2007, two Denver victims assigned to Lynn \$47,944 at closing.

37. On January 29, 2007, two Lafayette victims assigned to Lynn \$69,740 at closing.

38. This pattern was repeated several times because of Lynn's unlawful conduct.

39. Lynn disregarded the requirements of the Colorado Foreclosure Protection Act, which the Colorado General Assembly enacted by, effective May 30, 2006, to help prevent this very conduct by requiring certain disclosures by foreclosure consultants and preventing unconscionable terms and conditions.

40. Lynn's conduct is unconscionable and should be punished accordingly, including an order of restitution and disgorgement of the sale proceeds from each home transferred to Superior Financial Group, LLC through a proceed assignment at closing.

#### **FIRST CLAIM FOR RELIEF**

(Knowingly Making a False Representation As to the Characteristics, Uses, or Benefits of Services in Violation of C.R.S. § 6-1-105(1)(e))

(All Defendants)

41. Plaintiff incorporates herein by reference all of the allegations contained in paragraphs 1 through 40 of this Complaint.

42. Through the above-described conduct in the course of their business, occupation or vocation, Defendants knowingly made a false representation as to the characteristics, uses, or benefits of foreclosure rescue services by claiming to save homeowners' homes from foreclosure but instead obtaining the homeowners' equity for their own use, and by failing to use the equity to make improvements or assist the homeowners with keeping the home.

43. Through the conduct set forth in the Complaint and in the course of their business,

vocation, or occupation, Defendants violated C.R.S. § 6-1-105(1)(e).

**SECOND CLAIM FOR RELIEF**

(Failing to Disclose Material Information Concerning Services Which Information Was Known at the Time of an Advertisement or Sale and Intended to Induce The Consumer into a Transaction in Violation of C.R.S. § 6-1-105(1)(u))  
(All Defendants)

44. Plaintiff incorporates herein by reference all of the allegations contained in paragraphs 1 through 43 of this Complaint.

45. Defendants induced homeowners to sell their homes and assign substantial equity to Defendants by failing to disclose to the homeowners the fact, amount, and purpose of the proceed assignment; that homeowners would be permanently deprived of the equity in their homes; and that the equity would instead be used by Defendants for personal use.

46. Through the conduct set forth in the Complaint and in the course of their business, vocation or occupation, Defendants violated C.R.S. § 6-1-105(1)(u).

**THIRD CLAIM FOR RELIEF**

(Violates Subpart 2 of the Colorado Foreclosure Protection Act, C.R.S. § 6-1-1104(3), in violation of C.R.S. § 6-1-105(1)(xx))  
(All Defendants)

47. Plaintiff incorporates herein by reference all of the allegations contained in paragraphs 1 through 46 of this Complaint.

48. Defendants were foreclosure consultants within the meaning of the Colorado Foreclosure Protection Act.

49. Defendants failed to comply with the requirement that “[a] foreclosure consulting contract shall fully disclose the exact nature of the foreclosure consulting services to be provided and the total amount and terms of any compensation to be received by the foreclosure consultant or associate.” C.R.S. § 6-1-1104(3).

50. In particular, Defendants never disclosed in any foreclosure consulting contract the total amount and terms of any compensation to be received by the foreclosure consultant.

**FOURTH CLAIM FOR RELIEF**

(Violates Subpart 2 of the Colorado Foreclosure Protection Act, C.R.S. § 6-1-1104(4), in violation of C.R.S. § 6-1-105(1)(xx))  
(All Defendants)

51. Plaintiff incorporates herein by reference all of the allegations contained in paragraphs 1 through 50 of this Complaint.

52. Defendants were foreclosure consultants within the meaning of the Colorado Foreclosure Protection Act.

53. Defendants failed to comply with the requirement that “[a] foreclosure consulting contract shall be dated and personally signed, with each page being initialed, by each home owner of the residence in foreclosure and the foreclosure consultant and shall be acknowledged by a notary public in the presence of the home owner at the time the contract is signed by the home owner.” C.R.S. § 6-1-1104(4).

**FIFTH CLAIM FOR RELIEF**

(Violates Subpart 2 of the Colorado Foreclosure Protection Act, C.R.S. § 6-1-1104(5), in violation of C.R.S. § 6-1-105(1)(xx))  
(All Defendants)

54. Plaintiff incorporates herein by reference all of the allegations contained in paragraphs 1 through 53 of this Complaint.

55. Defendants were foreclosure consultants within the meaning of the Colorado Foreclosure Protection Act.

56. Defendants failed to comply with the requirement that “[a] foreclosure consulting contract shall contain the following notice, which shall be printed in at least fourteen-point bold-faced type, completed with the name of the foreclosure consultant, and located in immediate proximity to the space reserved for the home owner's signature:”

Notice Required by Colorado Law

\_\_\_\_\_ (Name) or (his/her/its) associate cannot ask you to sign or have you sign any document that transfers any interest in your home or property to (him/her/it) or (his/her/its) associate.

\_\_\_\_\_ (Name) or (his/her/its) associate cannot guarantee you that they will be able to refinance your home or arrange for you to keep your home.

You may, at any time, cancel this contract, without penalty of any kind.

If you want to cancel this contract, mail or deliver a signed and dated copy of this notice of cancellation, or any other written notice, indicating your intent to cancel to \_\_\_\_\_ (name and address of foreclosure consultant) at \_\_\_\_\_ (address of foreclosure consultant, including facsimile and electronic mail address).

As part of any cancellation, you (the home owner) must repay any money actually spent on your behalf by \_\_\_\_\_ (name of foreclosure consultant) prior to receipt of this notice and as a result of this agreement, within sixty days, along with interest at the prime rate published by the federal reserve plus two percentage points, with the total interest rate not to exceed eight percent per year.

This is an important legal contract and could result in the loss of your home. Contact an attorney or a housing counselor approved by the federal department of housing and urban development before signing.

C.R.S. § 6-1-1104(5).

#### **SIXTH CLAIM FOR RELIEF**

(Violates Subpart 2 of the Colorado Foreclosure Protection Act, C.R.S. § 6-1-1104(6), in violation of C.R.S. § 6-1-105(1)(xx))  
(All Defendants)

57. Plaintiff incorporates herein by reference all of the allegations contained in paragraphs 1 through 56 of this Complaint.

58. Defendants were foreclosure consultants within the meaning of the Colorado Foreclosure Protection Act.

59. Defendants failed to comply with the requirement that “[a] completed form in duplicate, captioned "Notice of Cancellation" shall accompany the foreclosure consulting contract. The notice of cancellation shall:

- (a) Be on a separate sheet of paper attached to the contract;
- (b) Be easily detachable; and
- (c) Contain the following statement, printed in at least fourteen-point type:

Notice of Cancellation

(Date of contract)

To: (name of foreclosure consultant)

(Address of foreclosure consultant, including facsimile and electronic mail)

I hereby cancel this contract.

\_\_\_\_\_ (Date)

\_\_\_\_\_ (Home owner's signature)

C.R.S. § 6-1-1104(6).

**SEVENTH CLAIM FOR RELIEF**

(Violates Subpart 2 of the Colorado Foreclosure Protection Act, C.R.S. § 6-1-1104(7), in violation of C.R.S. § 6-1-105(1)(xx))  
(All Defendants)

60. Plaintiff incorporates herein by reference all of the allegations contained in paragraphs 1 through 59 of this Complaint.

61. Defendants were foreclosure consultants within the meaning of the Colorado Foreclosure Protection Act.

62. Defendants failed to comply with the requirement that “[t]he foreclosure consultant shall provide to the home owner a signed, dated, and acknowledged copy of the foreclosure consulting contract and the attached notice of cancellation immediately upon execution of the contract.” C.R.S. § 6-1-1104(7).

**EIGHTH CLAIM FOR RELIEF**

(Violates Subpart 2 of the Colorado Foreclosure Protection Act, C.R.S. § 6-1-1107(1)(d), in violation of C.R.S. § 6-1-105(1)(xx))  
(All Defendants)

63. Plaintiff incorporates herein by reference all of the allegations contained in paragraphs 1 through 62 of this Complaint.

64. Defendants were foreclosure consultants within the meaning of the Colorado Foreclosure Protection Act.

65. Defendants violated C.R.S. § 6-1-1107(1)(d) by receiving “consideration from a third party in connection with foreclosure consulting services provided to a home owner unless the consideration is first fully disclosed in writing to the home.” The foreclosure consultant defendant Jason Lynn received consideration from Superior Financial Group, LLC

from the distribution of the proceed assignment, without disclosing it to homeowners.

**NINTH CLAIM FOR RELIEF**

(Violates Subpart 2 of the Colorado Foreclosure Protection Act, C.R.S. § 6-1-1109(1), in violation of C.R.S. § 6-1-105(1)(xx))  
(All Defendants)

66. Plaintiff incorporates herein by reference all of the allegations contained in paragraphs 1 through 65 of this Complaint.

67. Defendants were foreclosure consultants within the meaning of the Colorado Foreclosure Protection Act.

68. Defendants facilitated transactions that are “unconscionable given the terms and circumstances of the transaction” in violation of C.R.S. § 6-1-1109(1). These contracts were the product of bad faith overreaching by Defendants and resulted in contract terms that were unreasonably favorable to Defendants, because Defendants obtained substantial equity from homeowners without disclosure and provided little to no benefit to homeowners. Most of the homeowners were unsophisticated, vulnerable, and desperate to save their longtime homes. By contrast, Defendants were knowledgeable about mortgages, real estate, market value, and closings.

69. Through the conduct set forth in the Complaint and in the course of their business, vocation or occupation, Defendants violated C.R.S. § 6-1-105(1)(xx).

**RELIEF REQUESTED**

WHEREFORE, Plaintiff respectfully requests that Defendant Jason Lynn, individually, and Defendant Superior Financial Group, LLC, be permanently restrained and enjoined from doing any of the wrongful acts referenced herein or any other act in violation of the Colorado Consumer Protection Act relating to real estate, mortgages, and foreclosure rescue or consulting.

In addition, Plaintiff prays for judgment against the Defendants, jointly and severally, including against Jason Lynn individually, for the following relief:

- A. An order that Defendants’ conduct violates the Colorado Consumer Protection Act, including C.R.S. §§ 6-1-105(1)(e), 6-1-105(1)(u), and 6-1-105(1)(xx), including violations of C.R.S. §§ 6-1-1104(3)-(7) ; C.R.S. §§ 6-1-1107(1)(d); and C.R.S. §§ 6-1-1109(1);
- B. A judgment pursuant to C.R.S. § 6-1-110(1) against Defendants, jointly and severally, for restitution to consumers injured as a result of the violations of the Colorado Consumer Protection Act;

- C. An order pursuant to C.R.S. § 6-1-110(1) requiring Defendants, jointly and severally, to disgorge all unjust proceeds derived from their unlawful conduct;
- D. An order pursuant to C.R.S. § 6-1-110(1) for a permanent injunction or other orders or judgments relating to any misleading and deceptive trade practice;
- E. An order pursuant to C.R.S. § 6-1-112(1) for civil penalties against Defendants, jointly and severally, payable to the general fund of this state of not more than two thousand dollars for each such violation of any provision of the Colorado Consumer Protection Act with respect to each consumer or transaction involved;
- F. An order pursuant to C.R.S. § 6-1-112(3) for civil penalties against Defendants, jointly and severally, payable to the general fund of this state of not more than ten thousand dollars for violations of any provision of the Colorado Consumer Protection Act with respect to each elderly person;
- G. An order pursuant to C.R.S. § 6-1-113(4) requiring Defendants, jointly and severally, to pay the costs and attorney fees incurred by the Attorney General; and
- H. Any such further relief as this Court may deem just and proper to effectuate the purposes of the Colorado Consumer Protection Act.

Respectfully submitted this 14th day of October 2010.

JOHN W. SUTHERS  
Attorney General

/s/

---

ANDREW P. McCALLIN\*  
First Assistant Attorney General  
ERIK R. NEUSCH\*  
Assistant Attorney General  
Antitrust, Tobacco, and Consumer Protection Unit  
Consumer Protection Section

Attorneys for Plaintiff  
\*Counsel of Record

Plaintiff's Address:  
Colorado Attorney General's Office  
1525 Sherman Street  
Denver, Colorado 80203