

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
(Northern Division)**

PATRICK AND CHRISTINE BAEHR *
2809 Belle Hollow Court *
Glenwood, MD 21738 *

Plaintiffs/Class Representatives, *

v. *

THE CREIG NORTHROP TEAM, P.C. *
12345 Wake Forest Road #F *
Clarksville, Maryland 21029, *

Serve: *
Creighton Edward Northrop, III *
12345 Wake Forest Road, #F *
Clarksville, Maryland 21209 *

Civil Action No.:

CREIGHTON EDWARD NORTHROP, III *
12345 Wake Forest Road, #F *
Clarksville, Maryland 21209, *

LONG & FOSTER REAL ESTATE, INC. *
11351 Random Hills Road *
Fairfax, Virginia 22030, *

Serve: *
The Corporation Trust, Inc. *
351 West Camden Street *
Baltimore, Maryland 21201 *

CARLA NORTHROP *
12345 Wake Forest Road, #F *
Clarksville, Maryland 21209, *

LAKEVIEW TITLE COMPANY, INC. *
10320 Little Patuxent Parkway, Suite 700 *
Columbia, Maryland 21044, *

*

Serve: *
Lindell C. Eagan *
10320 Little Patuxent Parkway *
Suite 700 *
Columbia, Maryland 21044 *

AND

LINDELL C. EAGAN *
10320 Little Patuxent Parkway, Suite 700 *
Columbia, Maryland 21044, *
Defendants. *

* * * * *

CLASS ACTION COMPLAINT

Plaintiffs/Class Representatives Patrick and Christine Baehr, on behalf of themselves and others similarly situated, by and through their attorneys, hereby file this Class Action Complaint and allege as follows:

I.
Preliminary Statement

1. Creighton Northrop III, the Creig Northrop Team, P.C., and Carla Northrop (collectively, the “Northrop Defendants”) received over half a million dollars in illegal kickbacks from Lakeview Title Company, Inc. (“Lakeview”) and Lindell Egan (collectively, the “Lakeview Defendants”) over the span of 13 years. The Plaintiffs and Class Members were victims of this scheme by the Defendants to generate unearned fees and kickbacks in violation of the Real Estate Settlement Procedures Act, 12 U.S.C. §§ 2601-2617 (1974) (“RESPA”). The Defendants accomplished this scheme through a sham employment arrangement and a sham Marketing Agreement that they concealed from the Plaintiffs and members of the Class. The concealed

sham employment arrangement and sham Marketing Agreement harmed the Plaintiffs and Class Members by depriving them of impartiality and fair competition between settlement service providers.

II. **Parties**

2. Plaintiffs/Class Representatives Patrick and Christine Baehr are natural persons and are residents of Glenwood, Maryland.

3. Defendant The Northrop Team is a Maryland corporation. The Northrop Team solicits and does business with residents throughout the State of Maryland. The Northrop Team's principal place of business is located in Howard County.

4. Defendant Creighton Edward Northrop, III is a natural person who is President of The Northrop Team and a salesperson for Long & Foster, licensed with the State of Maryland, Department of Labor, Licensing and Regulation (license #317041). Mr. Northrop is a resident of Howard County Maryland and regularly transacts business in Howard County.

5. Defendant Carla Northrop is a natural person who is Vice President of The Northrop Team and a salesperson for Long & Foster, licensed with the State of Maryland, Department of Labor, Licensing and Regulation (license #530412). Ms. Northrop is a resident of Howard County Maryland and regularly transacts business in Howard County.

6. Defendant Long & Foster is a Virginia corporation registered to do business in the State of Maryland. Long & Foster solicits and does business with residents throughout the State of Maryland and regularly transacts business in Howard County.

7. Defendant Lakeview Title Company, Inc. ("Lakeview") is a Maryland corporation registered to do business in the State of Maryland (license # 2943). Lakeview

solicits and does business with residents throughout the State of Maryland and regularly transacts business in Howard County.

8. Defendant Lindell C. Eagan is a natural person who is President and part owner of Lakeview and an insurance producer, licensed with the State of Maryland, Maryland Insurance Administration (license # 099936415). Ms. Eagan is also a salesperson for Long & Foster licensed with the State of Maryland, Department of Labor, Licensing and Regulation (license #38916). Ms. Eagan is a resident of Howard County Maryland and regularly transacts business in Howard County.

III. **Jurisdiction and Venue**

9. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1331 (Federal Question).

10. Venue is proper in this District because, under 28 U.S.C. § 1391(b), a substantial part of the events giving rise to claims herein occurred within this District and the Defendants all systematically and continually transact business in this District.

IV. **Specific Factual Allegations for Individual and Class Relief**

A. Duties and Relationships of Defendants

11. Long & Foster is a real estate broker, licensed under the laws of various states, including Maryland. At all times relevant to this complaint, Defendants Long & Foster, Mr. Northrop, Ms. Northrop, The Northrop Team, and Ms. Eagan were licensees as defined under Md. Code Ann., Bus. Occupations and Professions, § 17-101(k).

12. Long & Foster is the broker of record of The Northrop Team, and Maryland real estate licensees Mr. Northrop, Ms. Northrop, and Ms. Eagan. In connection with the real estate transactions detailed herein, the Northrop Defendants were agents acting on behalf of Defendant Long & Foster, and such acts were within the scope of the business relationship and duties of the Northrop Defendants and were performed on behalf of Long & Foster.

13. At all relevant times, Long & Foster held the Northrop Defendants and Ms. Eagan out to the public as agents for Long & Foster, acting within the scope of their duties for Long & Foster.

14. Defendant Lakeview is the active designated responsible licensee affiliation of Defendant Eagan. Ms. Eagan is the President of Lakeview, a Title Insurance Producer Licensee, and a Maryland Real Estate Licensee affiliated with Defendant Long & Foster.

B. The Illegal Kickback Scheme

15. The Northrop Defendants referred Plaintiffs and members of the Class exclusively to Lakeview for real estate settlement services as a quid pro quo for the compensation by the Lakeview Defendants.

16. It is illegal to receive any fee, kickback, or thing of value for referring a person for real estate settlement services under RESPA. To conceal their illegal conduct, the Northrop and Lakeview Defendants devised two separate sham arrangements.

1. Sham Employment Arrangement

17. In or about 2000 through 2007, the Defendants created a sham employment arrangement between Lakeview and Ms. Northrop to disguise payments of illegal referral fees to the Northrop Defendants.

18. Specifically, Ms. Northrop has been a full-time employee of The Northrop Team since 2000. During the same time that she was a full-time employee of The Northrop Team and a licensed real estate agent, Ms. Northrop was also secretly receiving payments from Lakeview under a sham employment arrangement. In fact, Ms. Northrop did not perform any actual work or services for Lakeview. Despite maintaining a title insurance license, she did not actually appear for work or maintain set hours, nor did she process or conduct any real estate closings or process any files for Lakeview. Indeed, Lakeview did not provide Ms. Northrop with an office, a telephone number (including cell), or even an email address.

2. Sham Marketing Agreement

19. In 2008, Lakeview ceased paying Ms. Northrop and began funneling the illegal kickbacks for referrals through a sham “Marketing Agreement” between Mr. Northrop, The Northrop Team, and Lakeview. Mr. Northrop and Ms. Eagan negotiated and signed the sham Marketing Agreement on behalf of the Northrop Team and Lakeview, respectively.

20. The Marketing Agreement provided that Mr. Northrop and The Northrop Team would designate Lakeview as their exclusive settlement and title company to the exclusion of any other settlement service provider in connection with settlement, residential, and commercial real estate purchases, and to provide mostly unspecified “marketing services.”

21. The Marketing Agreement also provided that Mr. Northrop and The Northrop Team shall *not* endorse any entity that performs in the real estate settlement and title insurance services other than Lakeview—without regard to the amount of settlement fees charged by Lakeview to the Plaintiffs—and they shall use their reasonable effort to cause its affiliates and

their respective partners, stockholders, and senior officers to *not* endorse any entity engaged in the real estate settlement and title insurance business, other than Lakeview.

22. Under the Marketing Agreement, Lakeview agreed to pay Mr. Northrop and The Northrop Team \$6,000.00 per month for supposed marketing services. Instead, Lakeview actually paid Mr. Northrop and The Northrop Team as much as \$12,000.00 per month, irrespective of the amount that Lakeview committed to pay in the Marketing Agreement. That is, they overpaid in some instances by over 100% of what they “owed.” Ms. Eagan authorized the overpayments under the guise of the sham Marketing Agreement. In total, the Northrop Defendants received over \$500,000.00 under the sham Marketing Agreement to date.

23. There is no actual record or measure of any real joint marketing or services reasonably related to actual amounts paid by Lakeview to Mr. Northrop and The Northrop Team. The monthly compensation paid to the Northrop Defendants was in fact a quid pro quo referral fee. Both the excess and fluctuation in the amounts paid each month by Lakeview to Mr. Northrop and The Northrop Team shows that the compensation was based on referrals and not for any marketing services rendered pursuant to the Marketing Agreement.

24. The compensation relationships between Lakeview and the Northrop Defendants was never disclosed to, and actively concealed from, the Northrop Defendants’ clients, including the Plaintiffs. Despite exercising reasonable diligence, the Plaintiffs did not, and could not have learned of the illegal kickbacks until less than 1 year ago when it was revealed during discovery in litigation in another matter.

C. Injury to Plaintiffs

25. As a direct and proximate cause of the actions of the Defendants, the Plaintiffs were deprived of an impartial and fair competition between settlement service providers in violation of RESPA.

**V.
Facts Concerning Plaintiffs/Class Representatives**

26. The identical uniform fact pattern described in paragraphs 1 through 25 transpired for the Plaintiffs, and additional detail is provided as follows:

27. In or about June 2008, Plaintiffs engaged Long & Foster, Creig Northrop, and the Northrop Team to represent them in the purchase of a new home.

28. Defendants referred Plaintiffs to Lakeview for title and settlement services in or around June 2008. On the basis of this recommendation, Plaintiffs used Lakeview for the title and settlement services for the purchase of their new home. Plaintiffs closed on the purchase of their new home on or about July 25, 2008.

29. The Plaintiffs learned of the illegal kickbacks less than 1 month prior to the filing of this Complaint.

**VI.
Class Action Allegations**

30. The Plaintiffs adopt by reference the allegations contained in paragraphs 1 through 29 of this Complaint as if fully set forth herein.

31. Class definition: The Plaintiffs and Class Members are Maryland residents who retained Long & Foster Mr. Northrop and the The Northrop Team to represent them in the

purchase of a primary residence between January 1, 2000 to present and settled on the purchase of their primary residence at Lakeview.

32. The Plaintiffs bring this action on behalf of themselves and all other similarly situated individuals pursuant to Fed. R. Civ. P. 23.

33. The questions of law and fact in this action are uniquely common to all members of the Class.

34. There are questions of law and fact which are not only common to the Class, but which predominate over any questions affecting only individual Class members. The predominating questions include, but are not limited to, the following:

- a) Whether the Northrop Defendants received unearned fees and illegal referral fees or kickbacks for the referral of business to Lakeview;
- c) Whether Carla Northrop was a *bona fide* employee of Lakeview;
- d) Whether the Marketing Agreement between Creig Northrop, The Northrop Team and Lakeview is a “sham” marketing agreement;
- e) Whether Creig Northrop or The Northrop Team provided *bona fide* goods or services to Lakeview;
- f) Whether payments to The Northrop Defendants violated RESPA;
- g) Whether the Plaintiffs and the Class are entitled to treble damages under RESPA;
- h) Whether the Plaintiffs and the Class are entitled to attorney’s fees under RESPA.

35. The claims of the Plaintiffs are typical of the claims or defenses of the respective Class members.

36. The Plaintiffs/Class Representatives will fairly and adequately protect the interests of the Class. The interests of the named Plaintiffs and of all other members of the Class are identical and the named Plaintiffs are cognizant of their duties and responsibilities to the Class. Plaintiffs' Counsel have combined substantial experience in class action proceedings and complex fraud and real estate litigation and will adequately represent the Class's interests.

37. The Class consists, upon information and belief, of approximately 3,000 to 4,000 individuals, and are thus so numerous that joinder of all members is plainly impracticable.

38. This action should proceed as a class action under F.R.C.P. 23(b)(1) because separate actions by individual members of the class would create a risk of inconsistent or varying adjudications with respect to individual members of the class that would establish incompatible standards of conduct for the Defendants.

39. This action is properly maintained as a class action under Fed. R. Civ. P. 23(b)(3) in that questions of law or fact common to the Class members predominate over any questions affecting only individual Plaintiffs, and class action treatment is superior to other available methods for the fair and efficient adjudication of this controversy between the Class and the Defendants.

40. Most of the members of the Class are unaware of their rights to prosecute a claim against the Defendants. There has been little litigation already commenced by Members of the Class to determine questions presented herein and adjudicate the rights of Plaintiffs. Further, the sheer resources of the Defendants in preventing Plaintiffs from prevailing individually through

the courts prevents individual litigants from securing affordable representation of their interests and precludes filing of appeals for such relief.

41. No member of the Class has a substantial interest in individually controlling the prosecution of a separate action, but, if he does, he may exclude himself from the Class upon the receipt of notice under Fed. R. Civ. P. 23(c).

42. This class action can be managed without undue difficulty because the Plaintiffs/Class Representatives will vigorously pursue the interests of the Class by virtue of, and as evidenced by, their actions in initiating these proceedings.

VII.
Cause of Action

COUNT I
Violation of the Real Estate Settlement Procedures Act
(All Defendants)

43. Plaintiffs adopt by reference the allegations contained in paragraphs 1 through 42 of this Complaint as if fully set forth herein.

44. Defendants participated in a concealed scheme to generate unearned fees, kickbacks, and things of value through a sham employment arrangement and a sham Marketing Agreement in violation of RESPA and in violation of Title 24 C.F.R. Section 3500.14 *et seq.*

45. Lakeview paid Ms. Northrop compensation under a sham employment arrangement while in fact Ms. Northrop was employed full time by The Northrop Team as a licensed real estate agent affiliated with Long & Foster. Ms. Northrop did not actually provide any material work or services for Lakeview which was reasonably related to her compensation. Ms. Northrop was not a bona fide employee of Lakeview, as she had no office, no phone, and no bona fide job duties, despite receiving compensation from Lakeview.

46. Compensation paid to Ms. Northrop by Lakeview does not qualify as a “bona fide salary” as there were no services actually performed that would be consistent with the provisions of 24 C.F.R. 3500.14(g)(1)(iv) and 12 U.S.C. § 2607(c)(2). In addition, Ms. Northrop was a sham employee of Lakeview for purposes of 24 C.F.R. 3500.14(g)(1)(vii) and therefore could not receive compensation for referrals. The employment arrangement was not disclosed to Plaintiffs and Class Members. The Defendants instituted the sham employment arrangement for the sole purpose of disguising the compensation Lakeview paid to the Northrop Defendants for referrals. Ms. Northrop’s compensation thus results in a prohibited kickback, fee or thing of value as provided for in Section 2607 (a) of RESPA.

47. Mr. Northrop, The Northrop Team, and Lakeview entered into a sham Marketing Agreement in order to disguise payments of referral fees to Mr. Northrop and The Northrop Team.

48. The compensation paid by Lakeview to Defendants Mr. Northrop and The Northrop Team pursuant to the Marketing Agreement amounts to a quid pro quo referral fee as there is no actual record or measure of any real joint marketing or services reasonably related to actual amounts paid by Lakeview to Northrop.

49. Compensation paid to Defendants Mr. Northrop and The Northrop Team by Lakeview resulted in a prohibited payment and acceptance of a kickback, fee, and thing of value as provided for in Section 2607 (a) of RESPA.

50. Defendants concealed the existence of financial compensation paid by Lakeview to the Northrop Defendants from Plaintiffs and class members.

51. As a direct and proximate cause of the Defendants’ actions, the Plaintiffs were

deprived of impartial and fair competition in violation of Section 2607 of RESPA and 24 C.F.R. 3500.14.

VIII.
Prayer for Relief

WHEREFORE:

A. The Plaintiffs respectfully request this Court certify this case as a class action pursuant to F.R.C.P. 23(b)(1) and/or (3);

B. Demand judgment for the Plaintiffs and Class members against the Defendants and award to the Plaintiffs and Class members an amount equal to:

- (1) Compensatory Damages totaling \$11,200,000.00;
- (2) Three times the actual damages awarded;
- (3) Treble damages for settlement services charged by Long & Foster, Lakeview, including, but not limited to, title insurance premiums, pursuant to 12 U.S.C. §2607(d)(2);
- (4) Reasonable attorneys' fees;
- (5) Costs;
- (6) Pre-judgment interest; and
- (7) Such other and further relief as in law and justice they may be entitled to receive.

IX.
Jury Demand

A trial by jury in the within action is hereby demanded on all issues.

Respectfully submitted,

/s/ Hannah Kon
Gregory T. Lawrence (Fed. Bar # 25670)
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