

IN THE SUPERIOR COURT OF THE UNITED STATES VIRGIN ISLANDS  
DIVISION OF ST. CROIX

ERBEY HOLDING CORPORATION, JOHN R. ERBEY FAMILY LIMITED PARTNERSHIP, by its General Partner JUPITER CAPITAL, INC., SALT POND HOLDINGS, LLC, MUNUS, L.P., CARISMA TRUST, by its Trustee VENIA, LLC, and TRIBUE LIMITED PARTNERSHIP, each on its own behalf and derivatively on behalf of ALTISOURCE ASSET MANAGEMENT CORPORATION,

Plaintiffs,

v.

BLACKROCK FINANCIAL MANAGEMENT, INC., BLACKROCK INVESTMENT MANAGEMENT, LLC, BLACKROCK INVESTMENTS, LLC, BLACKROCK CAPITAL MANAGEMENT, INC., BLACKROCK, INC., PACIFIC INVESTMENT MANAGEMENT COMPANY LLC, PIMCO INVESTMENTS LLC, and JOHN AND JANE DOES 1-10,

Defendants,

-and-

ALTISOURCE ASSET MANAGEMENT CORPORATION,

Nominal Defendant.

COMPLAINT

No. SX-2018-CV- 146

Action for Damages

JURY TRIAL DEMANDED

VERIFIED COMPLAINT

Plaintiffs Erbey Holding Corporation ("Erbey Holding"), John R. Erbey Family Limited Partnership ("JREFLP"), by its General Partner Jupiter Capital, Inc., Salt Pond Holdings, LLC ("Salt Pond"), Munus, L.P., Carisma Trust, by its trustee Venia, LLC, and Tribue Limited Partnership (collectively, "Plaintiffs"), each on its own behalf and Salt Pond and Carisma for

their derivative complaints on behalf of Nominal Defendant Altisource Asset Management Corporation ("Altisource USVI"), make the following allegations upon Plaintiffs' personal knowledge with regard to themselves and their own acts and damages, and upon information and belief as to all other matters:

### INTRODUCTION

1. This case is about a covert criminal conspiracy perpetrated by two of the largest, most powerful financial firms in the world – known as “Blackrock” and “PIMCO” ("Defendants", as further defined below) – with the specific intent and purpose of gouging enormous profits from the forced foreclosures and confiscation of the homes of hundreds of thousands of struggling families all across the United States. The linchpin of the willful and wanton scheme unleashed by these behemoth firms – they manage trillions of dollars of assets, more than the entire budget of the federal government – was to cripple, if not outright destroy, Ocwen Financial Corp. ("OCN"), Ocwen Mortgage Servicing, Inc. ("Ocwen USVI," and, together with OCN and its subsidiaries, "Ocwen"), Altisource USVI, and certain of their subsidiaries, affiliates and related companies (collectively, "Ocwen/Altisource"). Blackrock, PIMCO and their co-conspirators were bent on retaliating against and financially ruining Ocwen/Altisource because Ocwen had the fortitude to stand up to Defendants and push back against their greed-driven pro-foreclosure campaign.

2. Ocwen is a leading mortgage servicer committed to foreclosure prevention for financially challenged homeowners serving households in all 50 states and the U.S. territories, including the USVI. Ocwen USVI, through its offices in St. Croix, served as OCN's corporate nerve center. Altisource USVI is a real estate asset management company also based in St. Croix. Prior to being severely financially injured and nearly put out of business by Defendants'

unlawful conduct, Ocwen USVI and Altisource USVI played an important role in the USVI's economic development by providing Virgin Islanders well-paying jobs in a growing technological sector and indirect economic effects.

3. Ocwen is a pioneer in the mortgage industry that championed the idea of using mortgage loan modifications to protect distressed homeowners from losing their homes to foreclosure. Loan modifications allow homeowners to avoid foreclosure by reducing their interest rate and/or principal balance, resulting in lower, more affordable monthly payments. Ocwen was one of the first mortgage servicers to modify mortgages and reduce principal to help struggling families keep their homes. Ocwen's commitment to modifying mortgages not only prevents foreclosures and neighborhood blight, but also provides higher long-term returns for investors in mortgage-backed securities ("MBS"). Mortgage servicers like Ocwen have an obligation to service loans and resolve delinquencies in a way that benefits the MBS trust *as a whole*, not just one particular class of investors within the trust.

4. Since its founding in 1988, Ocwen has provided innovative solutions which have enabled hundreds of thousands of distressed borrowers and their families avoid foreclosure. With the onset of the 2008 financial crisis, fueled by speculators like Defendants who funded Wall Street's reckless mortgage lending feeding frenzy that saddled hardworking Americans with unsustainable mortgage loans, Ocwen redoubled its efforts to help families keep their homes.

5. By using Ocwen's strategy of making mortgages affordable through common sense modifications rather than foreclosing and evicting people from their homes, Ocwen reduced the damage suffered by financially strapped families and their communities, while at the same time protected MBS investors. Ocwen's pro-modification approach provided positive cash

flows for the MBS trusts as a whole and ultimately increased the net present value (“NPV”) of the mortgages so that the trusts would receive greater returns from modifications than foreclosures.

6. The Defendants, however, had a very different goal – to skim profits for themselves by pushing for unnecessary foreclosures with reckless disregard to the pain and loss suffered by others: homeowners would be evicted, neighborhoods would be destroyed and mortgage investors not similarly situated to Defendants would be forced to incur greater losses on their investments. Defendants’ secret strategy was to exploit to their benefit Wall Street’s imprudent mortgage lending by punishing the true victims – the homeowners – and by imposing needless losses on other MBS investors.

7. Because Ocwen refused to go along with Defendants’ coldly calculated foreclosure plan, Ocwen/Altisource became the target of a concerted campaign of lies and vilification. Defendants relentlessly sought to discredit, undermine and ultimately destroy those companies so that Ocwen would be cast aside and replaced with mortgage servicers that were unwilling or unable to perform loan modifications but instead would immediately execute foreclosures as Defendants wanted. This strategy financially benefitted Defendants, who positioned themselves first in line to receive the proceeds when homes were sold in foreclosure, while seriously damaging other MBS investors, who stood to suffer greater losses than they would have if the loans were modified. Defendants were well aware that their ruthless strategy was contrary to the laws, regulations and policy of the United States, well-established industry standards and contractual obligations explicitly provided for in the governing MBS and mortgage servicing documents.

8. Defendants’ scheme was devious and unlawful: they secretly conspired to spread

false accusations about and financially decimate Ocwen/Altisource. Utilizing various nefarious tactics, including by improperly pressuring trustees and ratings agencies, Defendants first sought to prevent Ocwen from expanding its mortgage business, thereby stopping more loan modifications from going to distressed homeowners. Defendants later sought to have Ocwen removed as loan servicer on thousands of its long-standing servicing contracts, including those for the servicing of non-performing loans (“NPLs”) managed by Altisource USVI, and put Ocwen/Altisource out of business altogether. Defendants’ false and fraudulent statements and other intentionally unlawful and criminal actions wrongfully interfered with Ocwen/Altisource’s contracts, commercial relations and prospective business opportunities, causing them and Plaintiffs substantial injury.

9. Defendants’ widespread campaign of vilification and slander included knowingly false, fraudulent and reckless accusations that Ocwen was improperly taking money from homeowners and investors, engaging in improper modifications, and poorly servicing mortgage loans. Defendants and their agents spread malicious misrepresentations about Ocwen’s loan servicing performance to make it appear that Ocwen’s performance was sub-par, when, in fact, the opposite was true.

10. Another key weapon in the coordinated attack on Ocwen/Altisource was the repeated short selling of OCN and other publicly traded companies whose stock was owned by Plaintiffs. This short selling was specifically intended to and did materially depress the value of those companies’ stock and thereby threatened their continued viability and caused significant damage to their shareholders, including Plaintiffs.

11. Defendants’ unlawful scheme worked exactly as designed. By 2015, their wrongful, criminal and coordinated attacks, perpetrated through high-powered lawyers, influence

peddling Washington DC lobbyists and other operatives, had cast dark clouds over Ocwen/Altisource, causing them to lose significant business and greatly diminishing the value of their mortgage and real estate management businesses.

12. Defendants' scheme also caused Ocwen/Altisource to lose substantial volumes of new business opportunities. With Ocwen/Altisource so maligned and financially injured by Defendants' unlawful acts, banks and other financial institutions who otherwise would have transferred their mortgage servicing to Ocwen or sold NPLs to Altisource USVI were forced to find other parties to take the business or retain it for themselves, thereby depriving Ocwen/Altisource of opportunities to obtain new business.

13. Defendants' scheme proximately caused substantial financial injury to Plaintiffs, whose investments decreased in value, and to Altisource USVI, and further resulted in job losses to Virgin Islanders and economic harm to the USVI.

14. This lawsuit seeks to hold Blackrock and PIMCO jointly and severally accountable for the damages caused by their tortious and criminal conduct.

### **THE PARTIES**

15. Plaintiff Erbey Holding is a Delaware corporation with its principal place of business in St. Croix, USVI.

16. Plaintiff JREFLP is a Georgia limited partnership. Jupiter Capital, the sole general partner of JREFLP, is a Delaware corporation with its principal place of business in Jupiter, Florida,

17. Salt Pond is a USVI limited liability company with its principal place of business in St. Croix, USVI, and in which, inter alia, Erbey Holding, a Delaware corporation, is a member.

18. Munus L.P. is a Georgia limited partnership in which, inter alia, Erbey Holding, a Delaware corporation, is a limited partner.

19. Carisma Trust is a Nevada trust of which Venia, LLC, a Nevada limited liability company, is the trustee.

20. Tribue Limited Partnership is a USVI limited partnership whose partners include Salt Pond, in which Erbey Holding, a Delaware corporation, is a member.

21. Altisource USVI is a USVI corporation with its principal place of business at 5100 Tamarind Reef, Christiansted, St. Croix, USVI 00820. Altisource USVI's stock is publicly traded under the symbol AAMC.

22. Throughout the relevant time period, Plaintiffs were owners of shares of OCN and Altisource USVI and suffered damages as a result of Defendants' misconduct.

23. On information and belief, defendant Blackrock Financial Management, Inc. ("**Blackrock Financial Management**") is a Delaware corporation registered with the USVI Division of Banking and Insurance to sell securities in the USVI and doing business in the USVI.

24. On information and belief, defendant Blackrock Investment Management, LLC ("**Blackrock Investment Management**") is a Delaware limited liability company registered with the USVI Division of Banking and Insurance to sell securities in the USVI and doing business in the USVI. The sole member of Blackrock Investment Management is Trident Merger, LLC, a Delaware limited liability company whose sole member is Blackrock, Inc., a Delaware corporation.

25. On information and belief, defendant Blackrock Investments, LLC ("**Blackrock Investments**") is a Delaware limited liability company registered with the USVI Division of Banking and Insurance to sell securities in the USVI and doing business in the USVI. The

manager and sole member of Blackrock Investments is Blackrock Financial Management, a Delaware corporation.

26. On information and belief, defendant Blackrock Capital Management, Inc. ("**Blackrock Capital Management**") is a Delaware corporation registered with the USVI Division of Banking and Insurance to sell securities in the USVI and doing business in the USVI.

27. On information and belief, defendant Blackrock, Inc. ("**Blackrock, Inc.**," and together with Blackrock Financial Management, Blackrock Investment Management, Blackrock Investments and Blackrock Capital Management, the "**Blackrock Defendants**") is a Delaware corporation doing business in the USVI through the other Blackrock Defendants.

28. The Blackrock Defendants have assets valued at over \$6 trillion under management. The Blackrock Defendants manage dozens, if not hundreds, of funds ("**Blackrock Funds**") that own MBS. The Blackrock Defendants at all times controlled the actions of the Blackrock Funds, and the actions that the Blackrock Defendants took and that they caused the Blackrock Funds to take were intended to, and did, wrongfully benefit the Blackrock Defendants, as whatever wrongful gains from the scheme initially accrued to the benefit of the Blackrock Funds, including in the form of management fees, were passed through to the Blackrock Defendants. The Blackrock Defendants' business is controlled by Blackrock, Inc. and conducted through its subsidiaries and affiliates, including the other Blackrock Defendants.

29. Defendant PIMCO Investments LLC ("**PIMCO Investments**") is a Delaware limited liability company registered with the USVI Division of Banking and Insurance to sell securities in the USVI and doing business in the USVI. The manager and sole member of PIMCO Investments is Pacific Investment Management Company, LLC, a Delaware limited liability company.



30. Defendant Pacific Investment Management Company, LLC (“**Pacific Investment Management**,” and together with PIMCO Investments, the “**PIMCO Defendants**”) is a Delaware limited liability company registered with the USVI Division of Banking and Insurance to sell securities in the USVI and doing business in the USVI. The manager and sole member of Pacific Investment Management is Allianz Asset Management of America Holdings, Inc., a Delaware corporation.

31. The PIMCO Defendants have assets valued at \$1.75 trillion under management. The PIMCO Defendants manage dozens, if not hundreds, of funds (“**PIMCO Funds**”) that own MBS. The PIMCO Defendants at all times controlled the actions of the PIMCO Funds, and the actions that the PIMCO Defendants took and that they caused the PIMCO Funds to take were intended to, and did, wrongfully benefit the PIMCO Defendants, as whatever wrongful gains from the scheme initially accrued to the benefit of the PIMCO Funds, including in the form of management fees, were passed through to the PIMCO Defendants.

32. As set forth below, this action involves a criminal conspiracy that damaged Plaintiffs and Altisource USVI. There are potential additional defendants and co-conspirators whose exact identities are currently unknown to Plaintiffs (the “**John and Jane Doe Defendants**”).

### **JURISDICTION**

33. This Court has jurisdiction over this action pursuant to 4 V.I.C. § 76.

34. This Court has jurisdiction over the Blackrock Defendants and the PIMCO Defendants pursuant to 5 V.I.C. § 4903 because they caused tortious injury in the USVI by an act or omission outside the USVI, and regularly do or solicit business in the USVI, engage in other persistent course of conduct, and/or derive substantial revenue from goods used or consumed or

services rendered in the USVI.

35. Specifically, the Blackrock Defendants and PIMCO Defendants, among other things, intentionally directed their unlawful and fraudulent attacks into the USVI by targeting Ocwen/Altisource, which (as detailed below) are located in, operate out of, and provide substantial revenue to the USVI. As two of the most sophisticated financial institutions in the world, the Blackrock Defendants and PIMCO Defendants fully understood the nature and location of Ocwen/Altisource's businesses and the damaging effects that their fraudulent scheme had in the USVI.

36. During the relevant period, the Blackrock Defendants and PIMCO Defendants served as investment managers and fiduciaries for the Government Employees' Retirement System of the USVI. In addition, the Blackrock Defendants and the PIMCO Defendants advise and manage funds with investments in the USVI and/or in companies that do business in the USVI or derive substantial revenue from the USVI. On information and belief, Defendants conducted other business in the USVI.

37. In addition, on information and belief, the mortgage trusts from which Defendants attempted to remove Ocwen as servicer included mortgages for homes located in the USVI.

38. This Court also has jurisdiction over the Blackrock Defendants and the PIMCO Defendants because they consented to jurisdiction by their conduct, including by registering to transact business and sell securities in the USVI and by transacting business and selling securities in the USVI.

39. As a corporation incorporated in the USVI, Altisource USVI has consented to this Court's jurisdiction.

## DETAILED ALLEGATIONS

### History and Structure of Ocwen/Altisource

40. At all times relevant, Ocwen USVI was a corporate nerve center for Ocwen's mortgage servicing business. Ocwen USVI has its principal offices in St. Croix, built and operates a customer service center here, and has one of the largest private sector payrolls in the USVI.

41. Ocwen built an industry-leading mortgage servicing platform designed to assist struggling homeowners in keeping their homes while at the same time yielding positive cash flows for investors.

42. Ocwen has been one of the leading servicers of mortgages in the United States. Because of Ocwen's expertise in resolving troubled mortgage loans, banks and other institutional mortgage owners turned to Ocwen to service mortgages that were going delinquent as a result of the financial crisis.

43. Altisource USVI is an asset management company located in St. Croix. Among other things, Altisource USVI provides strategic and managerial oversight for a Real Estate Investment Trust ("**REIT**") that holds affordable single-family rental homes throughout the United States. The REIT, under Altisource USVI's guidance, also acquired, held and rehabilitated NPLs.

44. Altisource USVI also relies on Altisource Portfolio Solutions S.A. ("ASPS"), which provides real estate management services to Altisource USVI, the REIT and Ocwen.

45. A multitude of important management and services contracts existed among and between Ocwen, Altisource USVI, the REIT and ASPS, as well as between Ocwen and a major provider of financing that was crucial to its servicing business, Home Loan Servicing Solutions

(“HLSS”). Those contracts and the financing arrangement with HLSS were impinged and interfered with by Defendants’ unlawful acts and criminal wrongdoing.

46. Altisource USVI’s success was dependent on its strategic relationship and long-term contracts with Ocwen and ASPS, which gave Altisource USVI a competitive advantage based on Ocwen’s loss mitigation performance and ASPS’s real property management experience.

47. When Defendants and their co-conspirators targeted Ocwen/Altisource for destruction, it not only seriously hurt Ocwen, but it also crippled Altisource USVI’s business, ultimately causing Altisource USVI to end its strategic relationship with Ocwen. In addition, Defendants’ unlawful conspiracy destroyed the REIT’s ability to raise capital, which was critical to Altisource USVI’s ability to expand its business. As a result, the stock price and business prospects of Altisource USVI collapsed, as they did for Ocwen and ASPS.

**MBS Trusts and the Loan Servicers’ Duties to Service  
Loans in the Best Interest of the Trust as a Whole**

48. Banks and other mortgage originators that make mortgage loans to homeowners often sell those loans to investors.

49. To do this, banks and mortgage originators package mortgages into pools and sell them to specially created trusts that issue securities (or bonds) called MBS. When an investor buys an MBS, the investor buys an interest in all of the underlying mortgages owned by the trust.

50. Mortgage trusts issue securities in “tranches” (from the French word for “slice”), which means that holders of the senior MBS tranche and holders of the junior MBS tranches are entitled to different “slices” of rights to the mortgages and resulting mortgage payments and other funds in the MBS trust.

51. MBS trusts hire loan servicers like Ocwen to collect mortgage payments from homeowners whose mortgages are aggregated in the trust. The mortgage servicer collects principal and interest payments and remits them to the trustee overseeing the MBS trust. The trustee then passes the collections through to the senior and junior MBS holders through a payment “waterfall” that tracks the rights of the various tranches.

52. Ocwen, as a loan servicer, has a duty to provide servicing to the MBS trust in accordance with the operative servicing contracts and well-established industry standards. One of Ocwen’s primary duties is to service loans and maximize recoveries in a manner that is in the best interest of the MBS trust as a whole, thereby fairly benefitting both senior and junior MBS tranche holders rather than any particular class of investors.

53. In the case of delinquent loans, which reached historically high levels during the mortgage crisis, Ocwen’s main contractual obligation was to resolve the delinquencies in a way that reduced losses to the MBS trust in the aggregate, i.e., for the benefit of all MBS investors, senior and junior.

54. For example, the American Securitization Forum (“ASF”), a leading industry group, in issuing guidance on loan modifications, stated that actions taken by the servicer “to maximize recovery [for the MBS trust] should be deemed to be in the best interests of the investors.” The ASF made clear that the “in the best interests of” standard “should be interpreted by reference to the investors in [an MBS] securitization in the aggregate, without regard to the specific impact on any particular class of investors, and in a manner that is neutral as to the effect on the cash flow waterfall or any particular class of securities.”

55. Over many years of servicing numerous mortgages, Ocwen determined that in most cases, providing delinquent homeowners/borrowers with modifications allowing them to

keep their homes yielded the best return to the MBS trust as a whole. In contrast, foreclosures resulted in disproportionate gains to the senior tranche holders, including Defendants, by allowing them to recover their investment immediately rather than having to wait for payments from the homeowners over the lives of the mortgages. The corresponding losses resulting from foreclosures were larger and shouldered by the junior MBS tranche holders, and there was an enormous adverse financial and emotional impact on homeowners, their families and communities.

56. For these reasons, confirmed in many independent industry studies over the years, Ocwen created programs and systems to reasonably avoid home foreclosures and keep homeowners in their homes.

**In Response to the Financial Crisis, Ocwen Began a Pro-Active Mortgage Modification Program to Protect Homeowners and Investors**

57. Very quickly after the onset of the financial crisis in 2008, Ocwen implemented a large-scale program of loan modifications to prevent struggling homeowners facing foreclosure from losing their homes. Ocwen was one of the first servicers to offer loan modifications. Initially, most modifications involved reducing the borrower's interest rate to achieve a smaller monthly payment that the homeowner could afford. Later, Ocwen also became one of the first servicers to offer delinquent borrowers a reduction of principal to help avoid foreclosure. Federal and state government officials applauded this approach and ultimately made mandatory consideration of loan modifications part of public policy with respect to mortgage servicers.

58. Ocwen successfully used loan modifications, including principal write-downs where appropriate, to keep hundreds of thousands of struggling families in their homes.

**The Defendants' Criminal Scheme to Profit from Foreclosures by Interfering with Ocwen's Business through Fraudulent Representations**

59. The Defendants secretly concocted a criminal scheme to profit from the financial

crisis by expediting foreclosures and thereby forcing homeowners from their homes.

60. The severity of the financial crisis enabled investors to acquire MBS, even senior tranches, at significantly discounted prices. Defendants, directly or through their many affiliates, acquired and held a substantial volume of senior MBS tranches and sought ways to increase foreclosures in the pursuit of windfall profits at the expense of the homeowners and other investors.

61. When a home is foreclosed upon, the proceeds from the foreclosure sale are remitted to investors in the MBS trust through a payment waterfall pursuant to which senior tranche holders are paid before junior tranche holders. Based on their priority position in the payment waterfall, Defendants sought to reap ill-gotten gains by relentlessly and unlawfully pursuing foreclosures, without regard to and at the expense of financially distressed homeowners.

62. Because Ocwen/Altisource were dedicated to avoiding foreclosures and keeping people in their homes, Defendants undertook to replace Ocwen as the servicer and to ensure that Ocwen/Altisource did not get any additional mortgage-related business that could impede Defendants' pro-foreclosure scheme.

63. During the financial crisis, non-profit community advocacy groups sought to work with Ocwen to help distressed homeowners keep their homes through loan modification programs. Defendants opposed this kind of homeowner assistance from the start and made it clear that their goal was to keep homeowners underwater on their mortgages so the servicers could foreclose on the properties and increase Defendants' profits. In sum, Defendants did not want distressed homeowners to receive any debt relief and vehemently opposed mortgage modifications that reduced principal.

64. Ocwen refused to accede to Defendants' pro-foreclosure policy, because it was wrong in every respect – legal, contractual, public policy and moral. First, Ocwen had a duty to service loans for the benefit of all investors in the MBS trust, not just the senior investors like Defendants. Second, Ocwen's experience and independent expert studies confirmed that in the majority of delinquencies, modifying mortgages instead of foreclosing was in the best interest of the MBS trust as a whole. Finally, Ocwen agreed with community advocates and policy commentators that it was wrong to kick homeowners out of their homes without first trying to help them.

65. Defendants were so opposed to any form of debt relief for homeowners that they pressured Ocwen to adopt procedures that would have gutted its loan modification program. In a meeting at their offices, PIMCO representatives threatened Ocwen, and attempted to coerce Ocwen into using a sham discount rate for the NPV calculation, which PIMCO knew would have been in violation of applicable regulations and industry standards and made it virtually impossible to make modifications. Ocwen flatly rejected this outrageous demand designed to result in tens, if not hundreds, of thousands of unnecessary foreclosures.

66. Faced with Ocwen's rejection of the Defendants' aggressive foreclosure policy, Defendants and their co-conspirators secretly launched a multi-pronged attack on the operations, performance, existing and prospective contracts and business relations, and good will of Ocwen/Altisource, through false and fraudulent misrepresentations.

67. Defendants and their co-conspirators pursued a wrongful smear campaign against Ocwen/Altisource through covert means, including contacts with rating agencies and state and federal regulators, and later through public communications and the media that lasted into at least the middle of 2016. Defendants perpetrated false and fraudulent accusations, both



publicly and privately, meant to denigrate Ocwen and its servicing practices, including the outrageous and patently false accusation that Ocwen/Altisource had unjustly enriched themselves at the expense of the MBS trusts.

68. In addition, Defendants and their co-conspirators enlisted various third parties, including a politically well-connected and secretive lobbying group, the Association of Mortgage Investors (“AMI”), to aid and abet their scheme to damage Ocwen/Altisource’s business and standing with investors, regulators, and others in the industry, including the New York Department of Financial Services, and to block Ocwen/Altisource from obtaining new servicing contracts and business relations.

69. Manipulative short selling of stock was an integral part of the conspiratorial and coordinated attacks on Ocwen/Altisource. Short selling involves borrowing a security and selling it to another party with the intent that the security will decline in value. After such value declines, the short seller buys back the security at a lower price, returns the borrowed security, and keeps the difference in the amount between the higher original sale price and the lower buyback price. The same result as short selling can be accomplished by other means, including put options, which, as discussed below, at least one of Defendants’ co-conspirators used.

70. Throughout 2014 and 2015, when Defendants and their co-conspirators publicized, through counsel, their fraudulent statements and threats of legal action against OCN, short sales of OCN’s and the other related public companies’ common stock surged just prior to such announcements. On information and belief, this was no coincidence but rather was part and parcel of the illegal concerted campaign complained of in this Complaint and designed to generate profit for Defendants and their co-conspirators.

71. In February 2014, Defendants and their co-conspirators, through counsel, Gibbs

& Bruns LLP ("**Gibbs & Bruns**"), publicized their intent to bring suit against Ocwen based on false claims of improper loan servicing. No such suit was ever brought. Defendants' efforts were intended to damage Ocwen/Altisource, including by prompting regulators to act on their false allegations and decreasing the value of their stock to make it difficult for them to continue doing business.

72. Thereafter, in late 2014 and early 2015, the coordinated onslaught against Ocwen/Altisource continued. By letter dated January 23, 2015, Defendants and their co-conspirators sent, through Gibbs & Bruns, a communication styled as an event-of-default notice to trustees of more than one hundred MBS trusts with which Ocwen had contracts to provide mortgage servicing (the "**Fraudulent Default Notice**"). The Fraudulent Default Notice was rife with falsified and intentionally misleading data and other statements proffered in support of allegations that Ocwen/Altisource had improperly taken money from MBS trusts and investors, engaged in improper modifications and provided poor quality servicing. The goal of the Fraudulent Default Notice was to have Ocwen removed as servicer for those MBS trusts.

73. In the Fraudulent Default Notice, Defendants and their counsel claimed to have "engaged a highly qualified non-agency servicing expert to analyze a massive amount of publicly available loan-level information," whose conclusions allegedly demonstrated servicing various violations by Ocwen. It has since been revealed, however, that the findings of Defendants' servicing expert had been intentionally manipulated to make it appear that they supported Defendants' false conclusions. Defendants and their counsel knew that those findings were fraudulent but nevertheless featured them in their default letter and publicized falsified conclusions to the public and to Ocwen's contractual counterparties.

74. Defendants' motives for proffering falsified conclusions are now clear. They

had to find a way to overcome the many industry reports, from independent sources, that demonstrated Ocwen's superior loan servicing performance. While Defendants were falsely disparaging Ocwen in 2015, Morgan Stanley, a leading financial industry firm, published a report that highlighted the truth about Ocwen's effectiveness: "Not only does Ocwen have a higher success rate on mortgages that went delinquent when it held the servicing rights, but it also seems to succeed at keeping borrowers in their homes when it takes on a delinquent or modified mortgage from another servicer."

75. Another independent study released by LL Funds in 2015 "identified [Ocwen] as a preferred servicer, as Ocwen is more likely to modify – rather than liquidate through the foreclosure process – a delinquent borrower, in some cases modifying multiple times." The study concluded not only that "these modifications clearly benefit the delinquent homeowner," but also that "Ocwen deserves credit for this aggressive modification practice, and bondholders, overall, are better off as a result of it."

76. Community advocacy groups also praised Ocwen for protecting homeowners and investors. In 2014, the National Community Reinvestment Coalition recognized that Ocwen's mortgage modification programs "align the interests of borrowers, servicers and investors, mak[ing] the program a win-win for all involved."

77. In May 2016, the false and fraudulent misrepresentations being spread by the Defendants and their co-conspirators were further disproven by an independent expert report by Duff & Phelps, a leading corporate finance advisory firm hired by Wells Fargo, one of the largest RMBS trustees, to investigate and review Ocwen's servicing practices. The Duff & Phelps report praised Ocwen's performance in protecting homeowners while servicing their mortgages. By this time, however, the fraudulent smear campaign undertaken by Defendants and their co-

conspirators inflicted devastating adverse impacts upon Ocwen/Altisource.

78. The Defendants' co-conspirators in their widespread tortious campaign against Ocwen/Altisource included hedge fund allies, KORE Advisors ("**KORE**") and Blue Mountain Capital Management ("**Blue Mountain**"). KORE and Defendants were represented by the law firm that issued the Fraudulent Default Notice.

79. KORE, for its part, stepped up the attack on Ocwen with the false and outrageous accusation made to a leading MBS investor during the relevant time period that Ocwen was engaged in "criminal behavior."

80. Blue Mountain's role was to publicize the same false allegations that Ocwen was in default of various agreements governing its servicing operations. Evidencing the coordinated nature of the campaign against Ocwen/Altisource, Blue Mountain sent its first "Notice of Default" to various trustees on the exact same day – January 23, 2015 – that Defendants' Fraudulent Default Notice was sent. Blue Mountain's self-interest was transparent: Blue Mountain, among others, had been making short sales of Ocwen's stock and using put options to profit from the fall in the market value of OCN's stock as a result of these false statements. Its default notice included a disclosure that Blue Mountain continued to hold a short position in OCN and HLSS, a company providing critical financing to Ocwen. As a short seller, Blue Mountain stood to gain from the decline in the market value of OCN stock. Blue Mountain sent a second notice with similar false allegations on February 20, 2015. Notably, the head of Blue Mountain holds a position on the board of directors for PNC Financial Services Group ("**PNC**"), which is the largest shareholder in Blackrock, Inc. The Chairman of PNC holds a position on Blackrock, Inc.'s board of directors.

81. The Defendants' tortious conduct caused Ocwen/Altisource to lose existing and

prospective business, including by sabotaging the strategic relationships among those companies. In particular, Defendants' fraudulent campaign blocked Ocwen from getting mortgage servicing business from banks and other financial institutions, and forced Altisource USVI to drop Ocwen as servicer. The loss of business decreased the market value of several of the public companies, including OCN, Altisource USVI, the REIT, and ASPS, causing damage to Plaintiffs, as holders of that stock.

82. Due to the largely hidden and covert nature of Defendants' tortious conduct, Plaintiffs could not with reasonable diligence have discovered prior to mid-2016 the wrongful acts and tortious conduct of Defendants, including that the data and conclusions in the report of the servicing expert proffered by Defendants and their counsel and cited in the Fraudulent Default Notice had been falsified.

83. As a result of the malicious attacks by Defendants' and their co-conspirators against Ocwen/Altisource and their interference with Ocwen/Altisource's contractual relations, Defendants caused Plaintiffs and Altisource USVI to suffer substantial monetary losses.

#### **DERIVATIVE ALLEGATIONS**

84. In addition to bringing this action on their own behalf, Plaintiffs bring this action derivatively to redress the injuries suffered by Altisource USVI as a direct and indirect result of the tortious and criminal acts of the Defendants.

85. Salt Pond and/or Carisma were shareholders of Altisource USVI at the time of the transactions complained of herein.

86. Plaintiffs will adequately and fairly represent the interests of Altisource USVI and its shareholders in enforcing and prosecuting their rights.

87. On December 12, 2016, Plaintiffs, through their principal, sent a letter to the

Board of Directors of Altisource USVI demanding that the company bring this action.

88. On January 18, 2017, Altisource USVI responded by letter from its counsel stating that the company had evaluated the demand and declined to bring the proposed lawsuit.

## CAUSES OF ACTION

### COUNT I

#### **CIVIL VIOLATION OF THE CRIMINALLY INFLUENCED AND CORRUPT ORGANIZATIONS ACT – 14 V.I.C. § 605(a) (All Plaintiffs against All Defendants)**

89. Plaintiffs repeat and re-allege all preceding allegations as if fully set forth herein.

90. Section 605 of Title 14 of the Virgin Islands Code (“V.I.C.”) provides in part that “[i]t is unlawful for any person employed by, or associated with, any enterprise . . . to conduct or participate in, directly or indirectly, the affairs of the enterprise through a pattern of criminal activity.”

91. Pursuant to 14 V.I.C. § 607(a), an aggrieved person may institute civil proceedings against any person to obtain relief from a violation of § 605.

92. Pursuant to 14 V.I.C. § 607(c), any person directly or indirectly injured by conduct constituting a violation of § 605 is entitled to treble damages for the injury that person sustained. The statute provides that such damages, among other things, are not limited to competitive or distinct injury.

93. Defendants, in coordination with a group of related and unrelated entities and individuals, conspired to create and were members of an unlawful enterprise whose purpose was to damage the operations, performance, existing and prospective contracts and business relations, and good will of Ocwen/Altisource.

94. At all times relevant, Defendants carried out their unlawful enterprise themselves

and through their co-conspirators and agents, including their counsel and AMI, by engaging in repeated concerted acts of intentional misconduct designed to destroy Ocwen/Altisource and the strategic relationships among the companies, including by, among other things, (i) maliciously disseminating knowingly false conclusions in the Fraudulent Default Notice; (ii) repeatedly publicizing other fraudulent claims concerning Ocwen/Altisource, including allegations of improperly taking money, improper modifications and poor quality servicing; (iii) short selling intended to damage Ocwen/Altisource; and (iv) attempting to pressure Ocwen to employ a sham discount rate in calculating NPV to increase foreclosures.

95. Defendants' intentional misconduct in furtherance of their unlawful enterprise violated Virgin Islands law, including 14 V.I.C. § 833; 14 V.I.C. § 834; and 14 V.I.C. § 1089.

96. By attempting and conspiring to violate, and in fact violating Title 14, Chapter 41 and Title 14, Chapter 55, Defendants' misconduct constituted "criminal activity" as defined in 14 V.I.C. § 604(e).

97. Defendants' participation in this unlawful enterprise through a pattern of criminal activity violated 14 V.I.C. § 605(a).

98. As a direct and proximate result of Defendants' criminal activity and violations of 14 V.I.C. § 605(a), Plaintiffs suffered significant injury, including but not limited to lost value of their stock holdings.

99. Defendants' misconduct was outrageous and generally culpable, beyond the bounds of industry standards and not justifiable under the circumstances.

100. Accordingly, Plaintiffs are entitled to all civil remedies permitted to an aggrieved person pursuant to 14 V.I.C. § 607, including statutory treble damages, for the damages caused by Defendants' unlawful criminal enterprise.

## COUNT II

### **CIVIL VIOLATION OF THE CRIMINALLY INFLUENCED AND CORRUPT ORGANIZATIONS ACT – 14 V.I.C. § 605(a) (Derivatively on behalf of Altisource USVI against All Defendants)**

101. Plaintiffs repeat and re-allege all preceding allegations as if fully set forth herein.

102. Section 605 of Title 14 of the Virgin Islands Code (V.I.C.) provides in part that “[i]t is unlawful for any person employed by, or associated with, any enterprise . . . to conduct or participate in, directly or indirectly, the affairs of the enterprise through a pattern of criminal activity.”

103. Pursuant to 14 V.I.C. § 607(a), an aggrieved person may institute civil proceedings against any person to obtain relief from a violation of § 605.

104. Pursuant to 14 V.I.C. § 607(c), any person directly or indirectly injured by conduct constituting a violation of § 605 is entitled to treble damages for the injury that person sustained. The statute provides that such damages, among other things, are not limited to competitive or distinct injury.

105. Defendants, in coordination with a group of related and unrelated entities and individuals, conspired to and did engage in an unlawful enterprise whose purpose was to damage the operations, performance, existing and prospective contracts and business relations, and good will of Ocwen/Altisource.

106. At all times relevant, Defendants carried out their unlawful enterprise themselves and through their co-conspirators and agents, including their counsel and AMI, by engaging in repeated concerted acts of intentional misconduct designed to destroy Ocwen/Altisource and the strategic relationships among the companies, including by, among other things, (i) maliciously disseminating knowingly false conclusions in the Fraudulent Default Notice; (ii) repeatedly publicizing other fraudulent claims concerning Ocwen/Altisource, including allegations of



improperly taking money, improper modifications and poor quality servicing; (iii) short selling intended to damage Ocwen/Altisource; and (iv) attempting to pressure Ocwen to employ a sham discount rate in calculating NPV to increase foreclosures.

107. Defendants' intentional misconduct in furtherance of their unlawful enterprise violated Virgin Islands law, including 14 V.I.C. § 833; 14 V.I.C. § 834; and 14 V.I.C. § 1089.

108. By attempting and conspiring to violate, and in fact violating Title 14, Chapter 41 and Title 14, Chapter 55, Defendants' misconduct constituted "criminal activity" as defined in 14 V.I.C. § 604(e).

109. Defendants' participation in this unlawful enterprise through a pattern of criminal activity violated 14 V.I.C. § 605(a).

110. As a direct and proximate result of Defendants' criminal activity and violations of 14 V.I.C. § 605(a), Altisource USVI suffered significant injury, including but not limited to lost value of its stock and injury to its operations, performance, existing and prospective contracts and business relations, and good will.

111. Defendants' misconduct was outrageous and generally culpable, beyond the bounds of industry standards and not justifiable under the circumstances.

112. Accordingly, Altisource USVI is entitled to all civil remedies permitted to an aggrieved person pursuant to 14 V.I.C. § 607, including statutory treble damages, for the damages caused by Defendants' unlawful criminal enterprise.

### **COUNT III**

#### **TORTIOUS INTERFERENCE WITH CONTRACT (Derivatively on behalf of Altisource USVI against All Defendants)**

113. Plaintiffs repeat and re-allege all preceding allegations as if fully set forth herein.

114. As detailed above, Altisource USVI, Ocwen, the REIT, HLSS and ASPs had

contracts and strategic relationships with each other and third parties concerning asset management, real estate management, financing and the servicing of mortgages, including mortgages for homeowners in the USVI.

115. The Defendants were aware of these contracts and the strategic relationships.

116. In an effort to profit by preventing Ocwen from carrying out loan modifications, the Defendants intentionally interfered with these contracts and targeted Ocwen/Altisource for destruction through improper and wrongful means, including by making false representations concerning improperly taking money, improper modifications, and improper servicing, and by short selling as part of an undisclosed criminal scheme intended to damage Ocwen/Altisource.

117. Defendants sought to, among other things, force foreclosures on tens, if not hundreds, of thousands of homeowners solely in order for Defendants to earn ill-gotten gains. That conduct was (i) outrageous and motivated by evil intent and/or reckless indifference to the rights of others, (ii) beyond the bounds of industry standards, and (iii) not justifiable under the circumstances. Punitive damages should be imposed on Defendants to punish them for their misconduct.

118. As a direct and proximate result of result of the improper and wrongful interference of the Defendants, Altisource USVI suffered damages in an amount to be proven at trial.

#### COUNT IV

##### **TORTIOUS INTERFERENCE WITH PROSPECTIVE ADVANTAGE (Derivatively on behalf of Altisource USVI against All Defendants)**

119. Plaintiffs repeat and re-allege the preceding allegations as if fully set forth herein.

120. As detailed above, Altisource USVI, Ocwen, the REIT, HLSS and ASPS had

business relations, including strategic relationships, with each other and third parties that were reasonably likely to lead to an economic benefit and other third parties entering into additional or more lucrative contracts with Altisource USVI and its affiliates, including the REIT.

121. The Defendants were aware of these prospective economic benefits, strategic relationships, and anticipated contracts.

122. In an effort to profit by preventing Ocwen from carrying out loan modifications, the Defendants intentionally interfered with these relationships and anticipated contracts through improper and wrongful means, including by making false representations concerning improperly taking money, improper modifications, and improper servicing, and by short selling as part of an undisclosed criminal scheme intended to damage Ocwen/Altisource.

123. Defendants sought to, among other things, force foreclosures on tens, if not hundreds, of thousands of homeowners solely in order for Defendants to earn ill-gotten gains. That conduct was (i) outrageous and motivated by evil intent and/or reckless indifference to the rights of others, (ii) beyond the bounds of industry standards, and (iii) not justifiable under the circumstances. Punitive damages should be imposed on Defendants to punish them for their misconduct.

124. As a direct and proximate result of the improper and wrongful interference of the Defendants, Altisource USVI suffered damages in an amount to be proven at trial.

### **COUNT V**

#### **PRIMA FACIE TORT (RESTATEMENT (SECOND) OF TORTS § 870) (Derivatively on behalf of Altisource USVI against All Defendants)**

125. Plaintiffs repeat and re-allege all preceding allegations as if fully set forth herein.

126. Each of the Defendants intentionally took the aforesaid actions, including false statements and short selling, to damage the business and property of Ocwen/Altisource.

127. Each of the Defendants intended that their actions would cause harm to Altisource USVI. There was no valid business reason for Defendants' conduct. Their goal was to damage Ocwen/Altisource.

128. Defendants knew that their actions would cause harm to Altisource USVI.

129. Defendants sought to, among other things, force foreclosures on tens, if not hundreds, of thousands of homeowners solely in order for Defendants to earn ill-gotten gains. That conduct was (i) outrageous and motivated by evil intent and/or reckless indifference to the rights of others, (ii) beyond the bounds of industry standards, and (iii) not justifiable under the circumstances. Punitive damages should be imposed on Defendants to punish them for their misconduct.

130. As a direct and proximate result of the outrageous actions of the Defendants, Altisource USVI suffered damages in an amount to be proven at trial.

## COUNT VI

### **CIVIL CONSPIRACY**

#### **(Derivatively on behalf of Altisource USVI against All Defendants)**

131. Plaintiffs repeat and re-allege all preceding allegations as if fully set forth herein.

132. Defendants engaged in the aforesaid tortious acts, including false statements and short selling, in concert with each other pursuant to a common objective and design.

133. Each Defendant gave substantial assistance or encouragement to the other Co-Defendants in accomplishing a tortious result.

134. Defendants sought to, among other things, force foreclosures on tens, if not hundreds, of thousands of homeowners solely in order for Defendants to earn ill-gotten gains. That conduct was (i) outrageous and motivated by evil intent and/or reckless indifference to the rights of others, (ii) beyond the bounds of industry standards, and (iii) not justifiable under the

circumstances. Punitive damages should be imposed on Defendants to punish them for their misconduct.

135. As a direct and proximate result of the misconduct by Defendants, Altisource USVI suffered damages in an amount to be proven at trial.

### **COUNT VII**

#### **PRIMA FACIE TORT (RESTATEMENT (SECOND) OF TORTS § 870) (All Plaintiffs against All Defendants)**

136. Plaintiffs repeat and re-allege all preceding allegations as if fully set forth herein.

137. Each of the Defendants intentionally took aforesaid actions, including false statements and short selling, to damage the business and property of Ocwen/Altisource.

138. Each of the Defendants intended that their actions would cause harm to Ocwen/Altisource.

139. Defendants knew that their acts would cause harm to Ocwen/Altisource.

140. Defendants sought to, among other things, force foreclosures on tens, if not hundreds, of thousands of homeowners solely in order for Defendants to earn ill-gotten gains. That conduct was (i) outrageous and motivated by evil intent and/or reckless indifference to the rights of others, (ii) beyond the bounds of industry standards, and (iii) not justifiable under the circumstances. Punitive damages should be imposed on Defendants to punish them for their misconduct.

141. As a direct and proximate result of the outrageous actions of Defendants, Plaintiffs suffered damages in an amount to be proven at trial.

### **COUNT VIII**

#### **CIVIL CONSPIRACY (All Plaintiffs against All Defendants)**

142. Plaintiffs repeat and re-allege all preceding allegations as if fully set forth herein.

143. Defendants engaged in the aforesaid tortious acts, including false statements and short selling, in concert with each other pursuant to a common objective and design.

144. Each Defendant gave substantial assistance or encouragement to the other Co-Defendants in accomplishing a tortious result.

145. Defendants sought to, among other things, force foreclosures on tens, if not hundreds, of thousands of homeowners solely in order for Defendants to earn ill-gotten gains. That conduct was (i) outrageous and motivated by evil intent and/or reckless indifference to the rights of others, (ii) beyond the bounds of industry standards, and (iii) not justifiable under the circumstances. Punitive damages should be imposed on Defendants to punish them for their misconduct.

146. As a direct and proximate result of the misconduct by Defendants, Plaintiffs suffered damages in an amount to be proven at trial.

#### **PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiffs pray, for themselves and on behalf of Altisource USVI, for judgment against all Defendants, jointly and severally, as follows:

- A. Awarding compensatory damages in an amount to be proven at trial;
- B. Awarding treble damages pursuant to 14 V.I.C. § 607.
- C. Awarding punitive damages at the maximum amount permitted by law;
- D. Awarding prejudgment interest, as well as reasonable attorneys' fees and other costs; and
- E. Awarding such other relief as this Court may deem just and proper.

**A Jury Trial is Demanded as to All Issues.**

Dated: April 12, 2018



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*Counsel for Plaintiffs*

**CERTIFICATION**

Counsel hereby certifies that he has affixed his signature hereto pursuant to the requirements of 14 V.I.C. § 607(d) and has sent a true copy to the Attorney General as required by § 607(f).

Dated: April 12, 2018

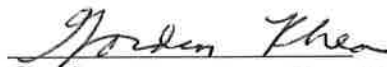


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**CERTIFICATION**

Counsel hereby certifies that he has affixed his signature hereto pursuant to the requirements of 14 V.I.C. § 607(d) and has sent a true copy to the Attorney General as required by § 607(f).

Dated: April 12, 2018



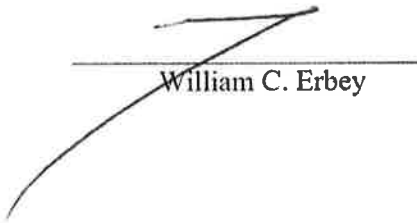
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**VERIFICATION**

I, William C. Erbey, in my capacity as (i) President of Erbey Holding Corporation, (ii) Trustee of the Frederiksted Trust; (iii) Trustee of the Christiansted Trust; and (iv) General Partner of the Tribue Limited Partnership, based on belief after reasonable inquiry, verify under penalty of perjury, on behalf of Plaintiffs Erbey Holding Corporation, Salt Pond Holdings LLC and Tribue Limited Partnership, that the foregoing is true and correct.


Executed on: April 10 2018

  
\_\_\_\_\_  
William C. Erbey

**VERIFICATION**

I, John R. Erbey, in my capacity as (i) President of Jupiter Capital, Inc. and (ii) a member of Venia LLC, based on belief after reasonable inquiry, verify under penalty of perjury under the laws of the United States Virgin Islands, on behalf of Plaintiffs John R. Erbey Family Limited Partnership, Munus L.P., and Carisma Trust, that the foregoing is true and correct.

Executed on: April 10, 2018

  
\_\_\_\_\_  
John R. Erbey