

IN THE CIRCUIT COURT OF THE EIGHTEENTH JUDICIAL CIRCUIT,
DUPAGE COUNTY, ILLINOIS



00569013

THE R&S GROUP, et al.,)	
)	
Plaintiffs,)	
vs.)	Case No. 97 CH 439
)	
ROYCE REALTY AND MANAGEMENT,)	
INC., et al.,)	
)	
Defendants.)	

NOTICE OF LIS PENDENS

PLAINTIFFS, R&S GROUP, INC. and MAURICE FURLONG, by their attorneys, MIRABELLA & KINCAID, P.C., give notice of lis pendens being recorded against certain real estate, as follows:

1. Notice is hereby given that an action entitled *The R&S GROUP, et al. v. ROYCE REALTY AND MANAGEMENT, INC., et al.*, has been commenced and is now pending in the Circuit court of the Eighteenth Judicial Circuit, DuPage County. The civil action number is 97 CH 439.
2. A copy of the Second Amended Complaint (without exhibits) currently pending is attached as Exhibit "A" to this Notice of Lis Pendens and is incorporated by reference herein, along with its exhibits.
3. That the Second Amended Complaint attached hereto seeks equitable and legal relief with respect to the following described real property situated in **Cook County**, Illinois.
4. The legal description of the premises is as follows:

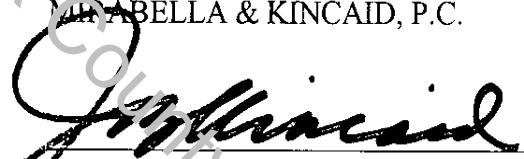
That part of the north 1/2 of Cynthia Robinson's tract, lying west of the center of Des Plaines River Road, in the partition of the north section of Robinson's reservation, in township 40 north, range 12, east of the third principal meridian, described as follows: Beginning

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at a point 50 feet south of the north line of section 15, also being the center line of Lawrence Avenue, and 50 feet west of the center line of River Road; thence south along a line 50 feet west of and parallel with the center line of River Road, a distance of 150 feet; thence northwesterly a distance of 23.62 feet to a point on a line 190 feet south of and parallel with the north line of said section 15; thence west on last mentioned parallel line, a distance of 180 feet to a point on a line 250 feet west of and parallel with the center line of River Road; thence north on last mentioned parallel line to a point 50 feet south of the north line of said section 15; thence east on a line 50 feet south of and parallel with the north line of said section 15, to the point of beginning, in Cook County, Illinois.

5. The name of the title holder of record is the First National Bank of Wheaton, as Trustee under Trust Agreement dated December 10, 1996, and known as Trust No. 1126.
6. The property is commonly described as 4738-4740 North River Road, Schiller Park, Illinois, and bears Permanent Parcel Number 12-15-100-014-0000.

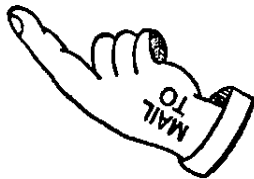
MIRABELLA & KINCAID, P.C.



Prepared by and return to:

John B. Kincaid, Esq.
Mirabella & Kincaid, P.C. (#58500)
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REC-1006
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STATE OF ILLINOIS)
) SS
COUNTY OF DU PAGE)

IN THE CIRCUIT COURT OF THE EIGHTEENTH JUDICIAL CIRCUIT
DU PAGE COUNTY, WHEATON, ILLINOIS

The R&S GROUP, a common law business organization; and MAURICE FURLONG, individually and as the sole director/trustee of THE R&S GROUP, a common law business organization, and HEALTH CARE CENTERS OF AMERICA, INC.

PLAINTIFFS,

v.

ROYCE REALTY AND MANAGEMENT, INC. ROBERT R. KRILICH, SR., individually and as Director/Trustee of the Abuello Company, Ltd., incorporated under the International Companies Act, 1990 (No. 9 of 1990), Section 14(3), in the Country of Belize, Central America; THE ABUELLO COMPANY, LTD., incorporated under the International Companies Act, 1990 (No. 9 of 1990), Section 14(3) in the Country of Belize, Central America, individually and as the sole director/trustee of THE SENIOR GROUP, a common law business organization and THE RAINBOW GROUP, a common law business organization; THE SENIOR GROUP, a common law business organization; THE R.K. COMPANY, a common law business organization; and the LINCOLN PROPERTY COMPANY SOUTHWEST, INC., an Illinois corporation,

DEFENDANTS.

FEB 8 1999
SCHIROTT & LUETKEHANS

NO.: 97 CH 0439

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FILED

SECOND AMENDED COMPLAINT FOR EQUITABLE RELIEF AND DAMAGES

NOW COME the Plaintiffs, The R&S GROUP, a common law business organization and MAURICE FURLONG, individually and as the sole director/trustee of THE R&S GROUP, a common law business organization, and HEALTH CARE CENTERS OF

AMERICA, INC., by and through their attorneys, ROBERT E. JONES of the law firm of GREENE, JONES & BRISSKE, a Professional Corporation, and for its Second Amended Complaint for Equitable Relief and Damages, against the Defendants states as follows:

1. Health Care Centers of America, Inc. (HCCA) is a Nevada corporation with its principal place of business in Reno, Nevada.
2. Maurice Furlong is a resident of Reno, Nevada and is president and CEO of HCCA.
3. The P&S Group is a common law business organization created in November of 1995. Its sole director is Maurice Furlong, president of HCCA.
4. Robert R. Krilich, Sr. was formerly a resident of Illinois and is now an inmate in a federal prison in Petersburg, Virginia, having been convicted in September of 1995 of racketeering, bribing a public official, bank fraud and mail fraud. On information and belief, Krilich is the director of and/or controls the Abuello Company, Ltd. (Abuello) and the RK Company. Throughout the time of events giving rise to this lawsuit, Krilich engaged in business in DuPage County, Illinois.
5. On information and belief, Abuello is incorporated under the laws of Belize, engages in business in DuPage County, Illinois, and acts as the alter ego of Krilich.
6. On information and belief, Royce Realty and Management, Inc., is an Illinois corporation authorized to conduct and conducting business in Illinois, has its principal place of business in DuPage County, Illinois, and acts as the alter ego of Krilich, its sole owner.
7. The Senior Group was a common law business organization controlled by Krilich and was dissolved in November of 1995. At time relevant to this lawsuit, The Senior Group did business in DuPage County, Illinois.

8. The Rainbow Group was a common law business organization controlled by Krilich and was dissolved in November of 1995. At times relevant to this lawsuit, The Rainbow Group did business in DuPage County, Illinois.

9. On information and belief, the R.K. Company is a common law business organization created in July, 1994, engaged in business in DuPage County, Illinois, is controlled by Krilich and acts as his alter ego.

10. On June 1, 1994, Krilich created The Senior Group and The Rainbow Group and transferred to them a significant amount of real and personal property assets. Copies of the documents creating these two common law business organization are attached as Exhibit A and B. Krilich designated Mr. Michael Vallone as director of The Senior Group and The Rainbow Group. Mr. Vallone was at the time working for an attorney named Ed Bartoli, who represented Krilich and formed The Senior Group and The Rainbow Group.

11. On June 28, 1994, ^(Amended) exchange agreements were executed between The Senior Group and HCCA and The Rainbow Group and HCCA. Copies of these agreement are attached as Exhibits C and D hereto. Under these agreements, HCCA was to receive certificates of beneficial interest (CBI's) in The Senior Group and The Rainbow Group in exchange for HCCA stock. In common law business organizations, the director holds legal title to the assets and the holders of the CBI's are entitled to any income from the assets of the common law business organization's property. On the same date, Krilich executed a number of quitclaim deeds transferring certain realty to The Senior Group and The Rainbow Group. Copies of these deeds are attached as Exhibit E. The parties agreed that these deeds would not be recorded until HCCA's stock was effectively registered with the Securities and Exchange Commission (SEC).

12. On June 30, 1994, Krilich was indicted by federal authorities in Chicago, Illinois and charged with racketeering, bribing a public official, bank fraud, and mail fraud. The government also sought forfeiture of more than \$15,000,000 in assets owned by Krilich

13. On The same date, at Krilich's request, HCCA and The Senior and Rainbow Groups executed documents stating that all transfers and exchanges of stock and assets had been accomplished in accordance with the above referenced exchange agreements of June 28, 1994. A copy of this agreement is attached as Exhibit F hereto. This agreement also states that HCCA shall not have the right to receive income from the properties exchanged under the exchange agreements until HCCA's Form 10 was registered with the SEC.

14. On July 2, 1994, at Krilich's request, the parties also executed a document providing that the escrow under the exchange agreements were terminated. A copy of this document is attached as Exhibit G hereto.

15. HCCA performed its obligations under the above referenced exchange agreements and transferred to Krilich and/or his common law business organizations the HCCA stock required by the exchange agreements. D

16. On June 5, 1995, HCCA, and The Senior and Rainbow Groups executed amended and restated exchange agreements, copies of exhibits are attached as Exhibits H and I. These agreements made minor modifications to the exchange agreements of June 28, 1994. The restated agreements state that "except for any contrary provision provided herein, all shares of stock have been transferred in accordance with the agreement and understanding between the parties." S.G.
7.6.

17. In September of 1995, Krilich was found guilty in federal court in Chicago of racketeering, bribery, mail fraud and bank fraud. In a post conviction hearing in September, 1995, Krilich testified that he had transferred significant assets to HCCA pursuant to the above

referenced exchange agreements and that he had in turn received the HCCA stock to which he was entitled, and that the asset exchanges were irrevocable.

18. On November 5, 1995, Krilich formed the R&S Group, a common law business organization. Shortly thereafter, at Krilich's behest, The Senior Group and The Rainbow Group transferred all their assets into the R&S Group and then dissolved themselves. Maurice Furlong, president of HCCA was named sole director of the R&S Group. A copy of the document creating the R&S Group is attached as Exhibit J hereto. Furthermore, all certificates of beneficial interest in the assets transferred to the R&S Group were transferred to HCCA pursuant to the documents attached as Exhibit K hereto.

19. Thus, in November of 1995, The R&S Group, through its sole director, Maurice Furlong, president of HCCA, became legal title holder to and sole owner of all the real and personal property transferred pursuant to the above referenced exchange agreements. This property includes the following:

- (a) 26 Townhouse rental units located on Renaissance Boulevard
- (b) Office and Banquet building in Oak Brook Terrace
- (c) Sybaris in Northbrook, Illinois
- (d) Oak Brook Terrace Water Service Corp.
- (e) Lakemoor Utility Service, Ltd.
- (f) Country Lakes Country Club
- (g) Lakemoor Country Club (includes land and golf course without clubhouse)
- (h) Restaurant site at Lawrence Avenue and River Road, Schiller Park, 6200 sq. ft.
- (i) Shopping Centers to be constructed in Palatine, Illinois, 50% interest

UNOFFICIAL COPY

- (j) Foxland single family lots in Gallatine, Tennessee
 - (k) 12 acres of commercial property located near Sterling Road and Route I-95 in Dania, Florida
 - (l) Denny's Restaurant & Car Wash property in Schiller Park, Illinois
 - (m) Royce Renaissance office space-3rd floor, East portion
 - (n) Lease for current office space at 1000 Royce Boulevard, Oak Brook Terrace, Illinois;
 - (o) Accounts receivable due for the boat charter, in addition to the cash requirement on all accounts;
 - (p) 50% interest in the "R Rendezvous" Yacht
 - (q) Townhouse unit
 - (r) Foxland Tennessee property, including Marina, Condominium building site, commercial and hotel site, apartment site and clubhouse;
 - (s) Bellevue, Tennessee, property, including vacant land currently zoned for the construction of 1,062 apartments, 50% interest in the commercial property on Highway 70, 29 acres of vacant land for single family homes , attached commercial site;
 - (t) Dickerson Road, Tennessee, property including 58 acres of commercial property, 17 acre site on which is a former SAM'S Club.
 - (u) 50% of The Rainbow Air Corporation
20. On November 5, 1995, at Krilich's request, Maurice Furlong on behalf of the R&S Group transferred the HCCA stock owned by The Senior Group and The Rainbow Group to the R.K. Company. A copy of the document effecting this transfer is attached as Exhibit L. In this manner, Krilich retained control of the HCCA stock he and his companies had received pursuant to the exchange agreements.
21. On January 19, 1996, Krilich and HCCA signed an agreement making Krilich a consultant for HCCA. A copy of this agreement is attached as Exhibit M.
22. During the second quarter of 1996, Krilich acted on behalf of HCCA in attempting to negotiate a sale in Tennessee of some of the realty that was the subject of the exchange agreements. In these negotiations, Krilich and his attorney acknowledged that HCCA was the owner of this property, which is known as Foxland.

22. During the second quarter of 1996, Krilich acted on behalf of HCCA in attempting to negotiate a sale in Tennessee of some of the realty that was the subject of the exchange agreements. In these negotiations, Krilich and his attorney acknowledged that HCCA was the owner of this property, which is known as Foxland.

23. On February 4, 1997, HCCA's Form 10 filing with the SEC became effective. At this point, HCCA had fulfilled its obligations under the above referenced exchange agreements and was entitled to record title to and receive the income from all the assets that had been transferred pursuant to the exchange agreements.

24. Shortly thereafter, in late February of 1997, Krilich fraudulently executed and recorded deeds purporting to transfer from himself to the R.K. Company certain tracts of realty in Tennessee that he had transferred more than two years before to The Senior Group and The Rainbow Group pursuant to the above referenced exchange agreements. Furthermore, Krilich actually sold one of the Tennessee tracts owned by R&S to a church in Davidson County, Tennessee called the West Meade Fellowship. Copies of the deeds referred to in this paragraph are attached as Exhibit N hereto.

25. Subsequently, Krilich has taken the position that the above referenced exchange agreements are invalid and should be rescinded. By acting as stated above, Krilich has interfered with HCCA's attempt to exercise control over the assets that were transferred pursuant to the exchange agreements and has failed to turn over to HCCA the income generated by these properties.

26. In addition, Abuello, Krilich, and The R.K. Company, acting through Royce Realty and Management Inc., has leased to third parties certain properties transferred to the R&S Group including (a) the twenty six townhouse units located in OakBrook Terrace, (b) the Sybaris in Northbrook, Cook County, Illinois, and (c) property located in Schiller Park Cook County, Illinois occupied by a Denny's Restaurant and a McClean's car wash. Defendants have failed to turn over to Plaintiffs any of the income produced by these leases. Defendants also interfered with and frustrated Plaintiffs' attempt to sell the Foxland property in Tennessee in 1997.

COUNT ONE-DECLARATORY JUDGMENT

27. Plaintiffs incorporate herein paragraphs 1-26 above.

28. An actual, justifiable controversy exists between the Plaintiffs and Defendants regarding the ownership of the real and personal property identified in paragraph 19 above.

29. Sole legal title to the property in dispute is owned by R&S Group, through its sole director, Maurice Furlong, president of HCCA.

WHEREFORE, Plaintiffs pray for an Order of this Court:

- 1. Declaring that the R&S Group is the sole owners of and has all legal right, title, fee, and interest in all property described in paragraph 19 above.
- 2. Declaring that Maurice Furlong, as sole director of the R&S Group, may execute any and all documents of title pertaining to any and all of the property described in paragraph 19 above.
- 3. Declaring that HCCA is the sole owner of the units of beneficial interest in the R& S Group.
- 4. Declaring that Defendants, and all parties claiming through them, have no right, title, or interest of any kind in the property described in paragraph 19 above and that any documents by which Defendants have attempted to transfer any interest in this property to any other defendant or to any person or entity affiliated with or controlled by any defendant are null and void.
- 5. Assessing the costs of this action against Defendants.
- 6. Providing such further relief as the Court deems to be just and proper.

COUNT TWO-SPECIFIC PERFORMANCE

- 30. Plaintiffs incorporate paragraphs 1-26 herein by reference.
- 31. Plaintiffs are entitled to specific performance of the exchange agreements of June 28, 1994 and June 5, 1995 and the November 1995 agreements transferring to The R&S Group all of the assets of the Senior Group and The Rainbow Group. Defendants have breached these agreements and have failed to take steps necessary to effectuate them.

WHEREFORE, Plaintiffs pray for an Order of this Court:

- 1. Requiring Defendants to execute any deeds or other documents necessary to complete the full transfer to The R&S Group of all legal right, title, fee, and interest in all real and personal property described in paragraph 19 above.
- 2. Requiring Defendants to turn over to Plaintiffs all income and profits they have received from any of the properties described in paragraph 19 above since February 4, 1997, when HCCA 's Form 10 became effective.
- 3. Assessing the costs of this action against Defendants.
- 4. Providing such further relief as the Court deems to be just and proper.

COUNT THREE-INJUNCTIVE RELIEF

32. Plaintiffs incorporate herein paragraphs 1-26 above.

33. As set forth above, Defendants have interfered with Plaintiffs rights in the property described in paragraph 19 above, have fraudulently asserted that Defendants own this property, have taken and kept income generated by the property that Plaintiffs were entitled to receive, and have transferred to a third party at least one piece of realty owned by the R&S Group. Defendants' actions present a threat of irreparable injury to Plaintiffs as to which Plaintiffs would have no adequate legal remedy.

WHEREFORE, Plaintiffs pray for an Order of Court:

1. Enjoining Defendants, their agents and assigns and all persons claiming through them from claiming or asserting any interest in the property described in paragraph 19 above, from attempting to transfer any interest in said property, from collecting any rental payments or other income produced by said property, and from interfering in any way with Plaintiffs' ownership of and right to use, enjoy, and/or transfer said property.

2. Assessing the costs of this action against Defendants.

3. Providing such further relief as the Court deems to be just and proper.

COUNT FOUR-BREACH OF CONTRACT

34. Plaintiffs incorporate herein paragraphs 1-26 above.

35. Defendants' actions constitute breaches of the exchange agreements of June 28, 1994 and June 5, 1995 and the November, 1995 agreements transferring to The R&S Group all of the assets of The Senior Group and The Rainbow Group.

36. Plaintiffs have been significantly damaged as a result of Defendants' contractual breaches.

WHEREFORE, Plaintiffs pray for an Order of this Court:

1. Awarding compensatory damages in favor of Plaintiffs and against Defendants in an amount equal to all damages incurred, including lost rental income, incidental and consequential damages, lost profits, pre-judgment interest, and attorney's fees.

2. Assessing the costs of this action against Defendants.

3. Providing such further relief as the Court deems to be just and proper.

COUNT FIVE-CONVERSION

37. Plaintiffs incorporate herein paragraphs 1-26 above.

38. Defendants have converted assets owned by Plaintiffs through the fraudulent sale of assets owned by Plaintiffs and by taking and keeping rent and other income to which Plaintiffs were entitled.

39. Defendants actions have been willful, wanton and fraudulent.

WHEREFORE, Plaintiffs pray for an Order of this Court:

1. Awarding compensatory damages in favor of Plaintiffs and against Defendants in an amount equal to all damages incurred, including lost rental income, lost profits, incidental and consequential damages, pre-judgment interest, and attorney's fees.
2. Awarding punitive damages in favor of Plaintiffs and against each defendant in the amount of at least \$5,000,000.
3. Assessing the costs of this action against Defendants.
4. Providing such further relief as the Court deems to be just and proper.

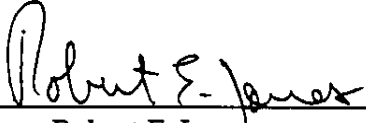
The R&S GROUP, a common law business organization; and MAURICE FURLONG, individually and as the sole director/trustee of THE R&S GROUP, a common law business HEALTH CARE CENTERS OF AMERICA, INC.

By: Robert E. Jones
Attorneys for the Plaintiffs

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CERTIFICATION OF ATTORNEY

I certify as attorney of record in this cause, that I have read the above pleading and that to the best of my knowledge, information and belief, formed after reasonable inquiry of my client, it is well grounded in fact and is warranted by existing law or a good faith argument for the extension, modification or reversal or existing law, and that it is not interposed for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation.



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