

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 17-60907-CIV-ALTONAGA/Goodman

FEDERAL TRADE COMMISSION, *et al.*,

Plaintiffs,

v.

JEREMY LEE MARCUS, *et al.*,

Defendants.

RECEIVER'S FIRST INTERIM REPORT

May 17, 2017
Miami, Florida

Submitted By:

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-and-

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EXECUTIVE SUMMARY

1. The Court appointed the Receiver on May 9, 2017. Since his appointment, less than 1-week ago, the Receiver has secured the Receivership Defendants' offices in Pompano Beach, Florida. The Receiver has been unable to secure certain of the Receivership Defendants' assets located in Panama City, Panama, in part due to the non-cooperation of Defendant and Panama office director Yisbet Segrea.
2. The Receiver has also taken the necessary steps to secure and preserve the Receivership Defendants' information systems containing the Receivership Defendants' e-mail, file storage, telephony, customer resource management, and accounting systems. The Receiver has not yet redirected the Receivership Defendants' hundreds of domain names to a receivership website because the pleadings, which will be shown and discussed on the receivership website are still under seal.¹ The Receiver plans to activate and redirect traffic to his website, as well as to a toll-free hotline listed on his website May 17 when the seal order expires.
3. The Receiver has interviewed dozens of employees, vendors, outside professionals and consumers. The Receiver has also reviewed as many documents as possible relating to the Receivership Entities within the short time since entry of the TRO. Further, the Receiver has sent turnover and preservation letters to thirteen of the Defendants' vendors and professionals.
4. The Receiver opened two fiduciary accounts at Biscayne Bank in Miami and bank accounts for rent and security deposits received from tenants. The Receiver has not yet received financial information from the 18 banks that he served with the TRO and no money has been deposited into the receivership accounts. However, the Receiver is in possession of two cashier's checks totaling in excess of \$540,000.
5. The Receiver has served the TRO to five ACH and merchant processors. The Receiver has been in contact with Reliant Account Management, the Receivership Defendants' primary financial processor, who is cooperating.
6. Neither Defendant Mr. Marcus, the Receivership Defendants nor the Relief Defendants have produced Financial Disclosures as required. Accordingly, a detailed forensic analysis has not yet been undertaken.
7. The Receiver's opinion is that the Receivership Defendants' operations should remain closed for the time being for the reasons set forth herein. Additionally, the Receiver plans to file a motion to convert Relief Defendants to Receivership Defendants and to expand the receivership over an additional 55 affiliated entities and business trusts.

¹ Pursuant to the Sealed Order, the docket and entire file shall remain under seal until 5:00 p.m. on May 16, 2017. Accordingly, this Report may include excerpts from those documents as it will be filed after such time. Given that the docket was not available via CM/ECF, this Report may not include ECF references if they are unavailable.

THE RECEIVER'S FIRST INTERIM REPORT

Jonathan E. Perlman, as Temporary Receiver for the Receivership Defendants² appointed by this Court by Order dated May 9, 2017 (the "Order" or "TRO"), files this First Interim Report to describe his investigation to date and detail his progress toward completing the tasks assigned by the Court, including identification of relevant assets.

I. BACKGROUND

1. On May 8, 2017, the U.S. Federal Trade Commission ("FTC") and the State of Florida Attorney General's Office ("Florida AG") (collectively, the "Plaintiffs"), commenced this action by filing a complaint for permanent injunction and other relief (the "Complaint") and a motion for a temporary restraining order and other equitable relief alleging that Jeremy Lee Marcus, Craig Davis Smith, Yisbet Segrea (collectively, the "Individual Defendants"), the Receivership Defendants and the Relief Defendants³, (the Individual Defendants, Receivership Defendants and Relief Defendants may be referred to herein collectively as the "Defendants"), violated and were likely to violate Sections 5(a), of the FTC Act, 15 U.S.C. § 45(a), the FTC's Telemarketing Sales Rule "TSR"), 16 C.F.R. Part 310 and the Florida Deceptive and Unfair

² Pursuant to the Sealed Temporary Restraining Order (the "Order"), the "Receivership Defendants" means Financial Freedom National, Inc. f/k/a Institute for Financial Freedom, Inc. and Marine Career Institute Sea Frontiers, Inc. also d/b/a 321 Loans, Instahelp America, Inc., Helping America Group, United Financial Support, Breeze Financial Solutions 321Financial Education, Credit Health Plan, Credit Specialists of America, American Advocacy Alliance, and Associated Administrative Services; 321Loans, Inc., f/k/a 321 Loans, Inc. also d/b/a 321Financial, Inc.; Instahelp America, Inc. f/k/a Helping America Team, Inc. also d/b/a Helping America Group; Breeze Financial Solutions, Inc. also d/b/a Credit Health Plan and Credit Maximizing Program; US Legal Club, LLC; Active Debt Solutions, LLC f/k/a Active Debt Solutions, Inc. also d/b/a Guardian Legal Center; Guardian LG, LLC also d/b/a Guardian Legal Group; American Credit Security, LLC f/k/a America Credit Shield, LLC; Paralegal Support Group LLC f/k/a Paralegal Support LLC; and Associated Administrative Services, LLC also d/b/a Jobfax, and their divisions, subsidiaries, affiliates, predecessors, successors, assigns, and any fictitious business entities or business names created or used by these entities, or any of them.

³ Pursuant to the Order, the "Relief Defendants" means JLMJP, LLC; 1609 Belmont Place LLC; 16 S H Street Lake Worth, LLC; 17866 Lake Azure Way Boca, LLC; 114 Southwest 2nd Street DBF, LLC; 110 Gloucester St., LLC; 72 SE 6th Ave., LLC; Fast Pace 69 LLC; Strategic Acquisitions Two, LLC; Halfpay International, LLC also d/b/a 16 H.S. Street 12Plex LLC, 311 SE 3rd St., LLC, 412 Bayfront Drive, LLC, 110 Gloucester St., LLC, 72 SE 6th Ave., LLC, 114 SW 2nd Street JM, LLC, 8209 Desmond Drive, LLC, and HLFPP, LLC; Halfpay NV LLC also d/b/a Halfpay International LLC; and Nantucket Cove of Illinois, LLC, as well as any successors, assigns, subsidiaries, fictitious business entities, or business names created or used by these entities, or any of them.

Trade Practices Act (“FDUTPA”), Chapter 501, Part II, Florida Statutes (2016), Fla. State. § 501.201 et seq. and the Telemarketing Act, 15 U.S.C. §§ 6101-6108. [ECF No. 1, “Compl.”].

2. The Plaintiffs allege that since approximately late 2013, Defendants have engaged in a plan, program, or campaign to offer purported debt consolidation loans and debt relief services throughout the United States, including in the State of Florida, when in fact they did not make such loans or provide such services, and/or did so using false or deception and unfair acts. Consumers impacted by Defendants’ scheme carry significant debt and include the elderly and disabled. [ECF No. 1, Compl. at ¶ 35].

3. Specifically, the Plaintiffs allege that the Defendants’ false, deceptive or unfair practices (the “Sales Practices”) include:

- a. Defendants’ website feature offers for low interest loans that would allow a consumer to combine all balances on their current alleged debt and make one easy payment with a low interest rate. *Id.* at ¶¶ 38-41.
- b. On initial calls, Defendants lead consumers to believe that their debts will be paid off and quote attractive monthly payments that are significantly less than what consumers are paying their creditors. *Id.* at ¶ 43.
- c. Defendants also tell consumers they will become part of a non-profit service that works to dismiss or settle the debts. Defendants tell consumers their purported non-profit status enables them to provide the loans at such low interest rates. In addition, Defendants tell consumers that, as a non-profit, they have legal teams of attorneys who will work to get consumers’ debts dismissed or settled, and a credit corrections group who will improve consumers’ credit. Defendants sometimes explain that any money they earn comes from the interest rates consumers will pay, or from any difference between what consumers pay them and the debts they are able to dismiss or settle. *Id.* at ¶ 44.
- d. While remaining on the line, Defendants’ telemarketers email consumers an electronic link to 50-75 pages of documents designed to look much like a loan agreement, including a Truth in Lending Statement and loan repayment terms. Defendants show consumers highlighted areas within the documents and ask them to simply initial and sign by clicking through those areas in order to finish processing the loan. Consumers are generally unaware that the

documents contain language that contradicts representations made by the telemarketers. *Id.* at ¶ 46.

- e. Believing Defendants will pay their debts or get them settled or dismissed, consumers agree to have their bank accounts immediately debited for their first loan "repayment" or for a processing fee. Then, consumers continue "repaying" their loan each month through automatic bank debits ranging from \$200 to \$1,000 or more. *Id.* at ¶ 47.
- f. In Defendants' account takeover campaign, Defendants call consumers already enrolled with third-party debt relief providers and inform them that Defendants are taking over the servicing of their debt relief accounts. Many of these consumers have worked for years with their third-party debt relief providers and have saved money in established escrow accounts for use in negotiating with creditors. Many consumers' escrow balances are in the thousands. Defendants falsely promise they will continue to perform the same or similar debt relief services for these consumers. They instruct consumers to transfer all the money from their escrow accounts to Defendants. *Id.* at ¶¶ 48-49.
- g. Once hooked through Defendants' misrepresentations, consumers often hear nothing from Defendants except, perhaps, in the form of a monthly telephone call to see how consumers are doing or through email payment reminders. With the purported loans, consumers sometimes also receive payment confirmations reinforcing the myth that consumers are repaying a debt consolidation loan. The confirmations typically specify that the "Amount Applied to Fees (if any)" is \$0.00. *Id.* at ¶ 50.
- h. At some point, consumers typically hear from their creditors, who often inform the consumers that their bills are unpaid and their accounts are going into default. When asked, consumers' creditors often inform the consumers that Defendants have not contacted the creditors to seek to pay, settle, or dismiss the consumers' debts. When consumers ask Defendants why their debts have not been paid as promised, Defendants-continue to mislead consumers by stringing them along with false explanations, including that Defendants need time to validate consumers' debts or confirm payoff amounts. Defendants also insist that consumers refrain from paying their creditors. *Id.* at ¶¶ 51-52.
- i. When consumers demand proof of Defendants' efforts to pay, settle, or dismiss their debts, Defendants sometimes send a form letter to consumers' creditors in the consumers' own names without first ascertaining the truth of the statements in the letter. The form letter suggests the consumers will be filing bankruptcy or disputes the validity of the consumer's debts. In many instances, it is not until consumers demand cancellation and a return of their money, threaten legal action, or complain to law enforcement or the Better

Business Bureau that consumers finally discover Defendants intend to keep all of consumers' money, including any loan "repayments" or funds transferred from consumers' escrow accounts, as "fees." *Id.* at ¶¶ 53-54.

- j. Consumers who once thought their debts would be reduced and paid are essentially told that their debts have more than doubled-not only do consumers still owe their original debts, they now learn Defendants expect an equal amount in "fees." *Id.* at ¶ 54.
- k. Defendants typically refuse to return consumers' money and, in many instances, threaten to report, and do report, the purported loan to credit bureaus if consumers do not continue to pay. *Id.* at ¶ 55.

4. The Plaintiffs assert that Defendants' business activities violate the FTC Act, the Telemarketing Sales Act and FDUTPA with respect to their (i) misrepresentations in marketing materials; (ii) misrepresentations in making sales; and (iii) wrongful post-sale conduct.

5. On May 8, 2017, this Court granted the Plaintiffs' application for a temporary restraining order with asset freeze against Defendants and entered an Order freezing assets belonging to any of the Defendants. The Court set a Preliminary Injunction hearing for May 17, 2017 at 1:00 p.m.

6. This Court also appointed Jonathan E. Perlman, a shareholder in the Genovese, Joblove & Battista law firm, as temporary receiver, and directed him to assume full control of the Receivership Entities and their affiliates, subsidiaries, divisions, and sales operations. The Order further directs the Receiver to take exclusive custody, control, and possession of all assets and documents of, or in the possession, custody, or under the control of, the Receivership Defendants, wherever situated. The Receiver shall have full power to divert mail and to sue for, collect, receive, take in possession, hold, and manage all assets and documents of the Receivership Defendants and other persons or entities whose interests are now held by or under the direction, possession, custody, or control of the Receivership Defendants. Provided, however, that the Receiver shall not attempt to collect any amount from a consumer or to allow the

Receivership Defendants to continue to debit or otherwise charge a consumer's account, if the Receiver believes the consumer was a victim of the deceptive acts or practices alleged in the Complaint in this matter.

7. The Order further directs the Receiver to use any means necessary to take possession of and to secure all areas of the business premises of the Receivership Defendants. Such steps may include, but are not limited to, the following as the Receiver deems necessary or advisable: (a) serving this Order; (b) completing a written inventory of all receivership assets; (c) obtaining pertinent information from all employees and other agents of the Receivership Defendants, including, but not limited to, the name, home address, Social Security number, job description, method of compensation, and all accrued and unpaid commissions and compensation of each such employee or agent; (d) videotaping all portions of the locations; (e) securing the locations by changing the locks and disconnecting any computer modems or other means of access to the computer or other records maintained at the locations; (f) requiring any persons present on the premises at the time this Order is served to leave the premises, to provide the Receiver with proof of identification, or to demonstrate to the satisfaction of the Receiver that such persons are not removing from the premises documents or assets of the Receivership Defendants; and/or (g) employ the assistance of law enforcement officers as the Receiver deems necessary to implement the provisions of this Order.

8. The following is a summary of the Receiver's efforts since his appointment one week ago. This report contains preliminary assessments and observations, subject to change as the Receiver and his professionals conduct discovery and continue to investigate and analyze the affairs of the Receivership Entities.

II. IMPLEMENTATION OF THE RECEIVERSHIP ORDER

A. EXECUTION OF THE RECEIVERSHIP ORDER AND TAKEOVER OF POMPANO COMPLEX ON MAY 10, 2017

9. Upon being appointed on May 9, 2017, the Receiver retained the Genovese Joblove & Battista, P.A. (“GJB”) law firm, in which he is a shareholder, as legal counsel. GJB agreed to provide a discount on its standard rates to the receivership estate in addition to waiving certain usual and customary expenses. The Receiver utilized GJB’s information technology staff, as needed, to secure control, preserve access to technology-based aspects of the Receivership Entities’ business, as well as to coordinate with the Plaintiffs’ information technology professionals to provide forensic computer services, including the extraction and forensic imaging of data from computer hard drive servers and work stations located in the Receivership Entities’ offices.

10. The Receiver also retained the services of Soneet R. Kapila, CPA, CIRA, CFE, CFF, and the accounting firm of KapilaMukamal, LLP, to provide the Receiver with forensic accounting services and fiduciary support and tax compliance services.

11. Prior to executing on the TRO, the Receiver coordinated with the Plaintiffs service of the TRO and an Asset Freeze letter upon all banks and third parties that were reasonably anticipated to hold assets of the Defendants in order to prevent the dissipation of assets to foreign jurisdictions or non-Defendants. The Receiver also served the TRO and asset freeze letters, in coordination with the Plaintiffs, to credit card merchant processors and other common targets.

12. Since his appointment on May 9, 2017, the Receiver and his counsel have familiarized themselves with the business operations of the Receivership Defendants, Relief Defendants, and certain Newly Discovered Entities (as defined later) by, among other things,

interviewing Mr. Marcus, Mr. Smith and numerous employees, vendors, suppliers, business partners and customers of Defendants. The Receiver has also reviewed documents and media and conducted due diligence into the business and operational affairs of the Receivership Defendants and Relief Defendants.

i. The Receiver Secures the Pompano Complex

13. In executing his duties under the Receivership Order, the Receiver and his staff of professionals, with the assistance of the Broward Sheriff's Office and the Florida Department of Agriculture's Law Enforcement Division, took possession of a 50,000 sq. ft. office complex located at 1410 SW 3rd St., Pompano Beach, Florida (the "Pompano Complex"). The Pompano Complex is owned by Relief Defendant JLMJP Pompano, LLC ("JLMJP"). JLMJP is owned by the JLMJP Pompano Business Trust. Jack Marcus, Jeremy Marcus' father, is the Trustee and Jeremy Marcus is the sole beneficiary under the JLMJP Pompano Business Trust. A copy of the JLMJP Pompano Business Trust is attached hereto as Exhibit "A."

14. The takedown of the Pompano Complex began at approximately 8:00 a.m. on Wednesday, May 10, 2017, as employees were entering the building. The Receiver understands that various shifts begin at 8:00 a.m., 9:00 a.m., 10:00 a.m. and 11:00 a.m. Law enforcement directed all persons entering the building to the large break room on the first floor. The Receiver and his professionals conducted brief interviews of all present and had each person fill out a questionnaire with their job title, employee name and job description. The Receiver also photographed each person's driver's license. The Receiver determined that certain employees warranted longer interviews and the Receiver' and or his professionals conducted such interviews.

15. Upon entry into the Pompano Complex, the Plaintiffs' forensic teams disabled the internet and servers to the entire building. It was then that the Receiver discovered that the server containing the Receivership Defendants' Customer Relationship Management ("CRM") program and data had been relocated to Panama. In fact, much of the Receivership Defendants' operations moved to Panama in 2015, including the entire "customer service department" in a shipping container costing \$26,000.00.

16. The Defendants, through a newly created Panama entity named Discount Marketing USA S.A., began operating in Panama and servicing existing U.S. customers. The Receiver identified that the Defendants' Panama operations are overseen by Defendant Yisbet Segrea, who spends most of her time in Panama and was there the week that the Receiver executed the TRO. To date, Defendant Yisbet Segrea has not fully cooperated with the Receiver, despite having been served with the Order.

17. In addition, upon entry into the Pompano Complex, the Receiver discovered that two unrelated tenants were operating from the Pompano Complex under leases with JLMLP. The Receiver conducted a full investigation of each tenant to ensure that the tenants were unaffiliated with the Defendants, and the Receiver is satisfied that the tenants are indeed separate and apart from the Defendants. Notwithstanding the foregoing, the Receiver obtained forms and photos of driver's licenses from the tenants' employees. The tenants informed the Receiver that they make their respective rental payments to HP Properties Group, LLC, an affiliate of the Defendants who is part of the common enterprise, but is not a named Defendant in this case. HP Properties Group, LLC, a Florida limited liability company, operates from the Pompano Complex and its membership interests are owned by the HP Properties Group Business Trust, of

which Jeremy Marcus is the sole beneficiary. The Receiver will be filing a motion to expand the receivership over HP Properties Group, LLC.

18. In effectuating the seizure of the Pompano Complex, the Receiver and his professionals reviewed a significant amount of the documents on the premises and interviewed personnel and management. During the course of this initial due diligence, the Receiver learned that at least 55 other businesses and business trusts (collectively, the “Newly Discovered Entities”) utilized the Pompano Complex and shared common management and employees (the Receivership Defendants, the Relief Defendants and the Newly Discovered Entities shall collectively be referred to herein as the “Common Enterprise Entities”). A list of the Common Enterprise Entities is attached hereto as Exhibit “B.” Public records and business records from the Pompano Complex show that each and every one of the Common Enterprise Entities had its business address at the Pompano Complex. Further, the Receiver’s preliminary review uncovered that Defendant Jeremy Marcus is the direct or indirect owner or beneficiary of each of the Common Enterprise Entities.

19. All of these businesses were directly related to the being conducted by the Common Enterprise Entities – consumer debt relief programs and related legal services. And use of proceeds derived from those services as Michael Silva described it, “the same programs were being sold to consumers under different names.”

20. While there may have been in excess of 80 businesses operating out of the Pompano Complex, there appears to be a complete commingling of monies. Payroll for the Common Enterprise Entities’ various employees appears to have been paid out of at least three different entities at different times without any explanation. Specifically, the Receiver located paystubs from Payday Payroll, the Defendants’ payroll processing company. The paystubs were

drawn on the bank account of HP Media, LLC, yet another of the Common Enterprise Entities not currently a Defendant in this action. The Receiver learned from employees that the Defendants regularly changed which entity would pay the payroll for employees and that employees would receive multiple W-2's at the end of each year from the various companies that paid the enterprise payroll.

a. Description of Pompano Complex Building

21. The first floor of Pompano Complex is comprised of a variety of suites utilized by a tenant and the Common Enterprise Entities. Suite 100 and 104 houses the offices of Licensed Insurance Advisors, LLC, an unrelated tenant. The monthly rent is \$9,500.00 plus sales tax and is current. The back portion of the first floor is empty space, a large portion of which was in a construction phase to build a new office suite. The Receiver asked the fire sprinkler installation company to remove their property (PVC pipes and tools) and leave the premises.

22. Suite 101 houses the main "boiler room" for the Common Enterprise Entities. Within Suite 101 are a large number of computers, monitors, printers, cubicles, management stations and various decorations. Given that the Receiver arrived prior to employees, no property or information from Suite 101 was disturbed. The Receiver did allow certain employees to remove their personal property from Suite 101 (typically wireless headsets that had been purchased directly by an employee), and the Receiver received a receipt for the removal of such property.

23. Suite 102 contained a variety of larger workstations and housed the legal and IT. IT cooperated with the Plaintiffs' forensic teams and the Receiver. Further, a paralegal, Zena Sabell was on site and also cooperated with the Receiver's professionals (as further described below).

24. Suite 103 appeared to be a training room with several long tables, a projector machine and two empty offices.

25. The executive offices further in the back contained the office of Defendants Jeremy Marcus and Craig Smith and Comptroller/Office Manager Diana Dominguez.

26. A complete schematic of each of the Common Enterprises Entities' office suites (prepared by an FTC investigator, the accuracy of which was confirmed by the Receiver) is attached hereto as Exhibit "C."

27. The second floor of the Pompano Complex contained a call center leased by F3EA Servicing, LLC, an unrelated tenant. The lease is with JLMLP Pompano, LLC, a Relief Defendant, although the tenant informed the Receiver that rent payments of approximately \$19,125.00 plus sales tax per month were made to HP Properties Group, LLC, a Common Enterprise Entity.

28. The Pompano Complex had 12 exterior doors. The Receiver hired a locksmith to change all locks. The locksmith informed the Receiver that many of the exterior doors showed evidence of tampering and it was necessary to change more hardware than just the locks to keep the building secure. The Receiver has a copy of the keys and provided a copy of the exterior keys to the two tenants and janitorial staff. As the tenant leases require maintenance of the common areas, the Receiver has hired daily janitorial staff and a lawn service. Further, the Receiver, as *de facto* landlord, is collecting and distributing mail from the onsite mail locker on a daily basis.

29. The locksmith also changed the locks to 6 internal suites (101, 102, 103, the executive office, the server room and the supply closet) to preserve the integrity of the Common Enterprise Entities' property. Only the Receiver has a copy of those keys.

30. Based on the Receiver's due diligence, JLMLP Pompano, LLC paid cash for the Pompano Complex in the amount of \$2,300,000 in 2014 and then immediately took a mortgage on the property with Halfpay International, LLC, a Relief Defendant. The Receiver does not know if any of the Common Enterprise Entities pay Halfpay International, LLC any mortgage payments for the Pompano Complex. Halfpay International, LLC is owned by the Halfpay International Business Trust. Jack Marcus, Jeremy Marcus' father, is the Trustee and Jeremy Marcus is the sole beneficiary under the Halfpay International Business Trust.

31. The Receiver has confirmed that there is current insurance on the Pompano Complex.

32. In addition, the Receiver observed two painted school buses and a Ford 250 4x4 pickup truck at the Pompano Complex. It is unclear which, if any, of the Common Enterprise Entities owns the vehicles. In addition, the Receiver located several car titles in a safe in the executive office, but names on the titles do not match any of the Common Enterprise Entities.

33. An Inventory list is attached hereto as Exhibit "D."

b. Description of the Panama Location & Operations

34. In October 2015, after the Enterprise was raided by a Florida state agency, Jeremy Marcus, created a new entity, Discount Marketing USA, S.A. ("Discount Marketing") and executed on behalf of Discount Marketing, a 3-year lease for business property located in Panama City, Panama. The Receiver understands that Defendants Jeremy Marcus and Craig Smith own a significant interest in Discount Marketing.

35. The CRM server for Common Enterprise Entities' customers, as well as the customer service department of the Enterprise, were moved to Panama City in a 40 foot container costing \$26,000. Based on employee interviews and documents reviewed, the

Receiver believes that the business of Discount Marketing, includes selling the same debt relief programs that are the subject of this case and serving Receivership Defendant/Common Enterprise Entity customers.

36. Files found at the Pompano Complex indicate that Jeremy Marcus provided financials of 321 Loans, Inc., in order to satisfy the financial requirements required by the Panama landlord, Global Realty Advisors, S.A. In addition, he used references of entities that had done business with the Common Enterprise Entities.

37. To further evidence that the entities that comprise the Common Enterprise Entities are interrelated, Paralegal Support Group, LLC, another Receivership defendant, utilized several different law firms in Panama that provided services ranging from immigration to incorporation and opening of bank accounts for Discount Marketing USA, S.A. at MultiBank, a Panamanian Bank. As of the date of this Report, despite having been served with the Order, Discount Marketing USA, S.A. and its management, including Defendant Yisbet Segrea, have refused to cooperate with the Receiver or his professionals unless Mr. Marcus is also present on the call.

38. The Receiver has heard estimates that there are 20, 40 or 60 employees in Panama, but has been unable to confirm the correct number. Certain employees informed the Receiver that many employees in Panama were recently laid off and that the Panama operation recently moved to a smaller office suite. The Receiver has reviewed information indicating that the Panama operation incurred expenses to change floors in the building where it operates, but has not confirmed this information.

39. Further, the server for the "Sugar" CRM system, the Common Enterprise Entities' customer information system, is currently located in Panama and can be compromised at any

time unless the Receiver is given possession and permitted to image all data and maintain control over the software.

40. The Receiver has yet to receive and review complete sets of the Defendants'; and much less, the Common Enterprise Entities' bank statements. An April 2017 bank statement for White Light Media, LLC (Bank of America - XXXXX0417) received in the mail at the Pompano Complex reveals a \$600,000.00 transfer on April 27, 2017 and an April 2017 statement for HP Media, LLC (Chase - XXXXX0803) reveals a \$300,000 transfer on April 27, 2017 and \$300,000 transfer on April 28, 2017 (transfers totaling \$1.2M) to the MultiBank account of Discount Marketing USA, S.A. Both White Light Media, LLC and HP Media, LLC are Newly Discovered Entities and considered part of the Common Enterprise Entities. Redacted copies of the relevant Bank Statements are attached hereto as Composite Exhibit "E." The Receiver has sent a copy of the TRO to MultiBank, but has not received a response.

B. COMMON ENTERPRISE ENTITIES' TECHNOLOGY, INTERNET APPLICATIONS, AND CUSTOMER SERVICE MANAGEMENT SOFTWARE

41. While interviewing employees at the Pompano Complex, the Receiver learned that the Receivership Defendants operated through a number of IT applications, including a CRM program called Sugar, Intermedia for e-mail communications and VICIhost.com for phone based information collection, including voice recordings.

42. The Receiver worked with the Plaintiffs' IT contractors to shut down outside access to the various applications as quickly as possible (through either unplugging or password changes). The IT contractors also created mirror images of the hard drives and servers located with the Common Enterprise Entities' offices, as appropriate.

43. As described above, the server for the Sugar CRM system is located in Panama, but, with the assistance of Anthony Loch (the Defendants' in-house IT employee), the Receiver was able to gain remote access. The Sugar CRM system is a complex database management system and the Receiver has not yet completed a review of all information available within the system.

44. The Receiver was able to identify approximately 700 e-mail accounts belonging to various current and former employees of the Common Enterprise Entities hosted through Intermedia. The Receiver's IT professionals and the FTC's IT professionals have disabled e-mail access to outsiders and are in the process of making digital copies of the information. The Receiver has not yet had the opportunity to review any e-mails accounts.

45. The Common Enterprise Entities utilized VICIhost.com to handle its backoffice telephone call management. Elvis Collado informed the Receiver of the necessary steps to bring the telephone system back online. Further, Mr. Loch informed the Receiver that VICIhost.com may have sent the Common Enterprise Entities a disk of phone call recordings, but the Receiver and Mr. Loch were unable to locate the disk. The Receiver sent VICIhost.com a preservation and turnover letter on May 12, 2017 and is currently working with it to secure the recordings.

46. Further, the Common Enterprise Entities utilized Reliant Account Management for its ACH processing. RAM has a Client Login which allows remote access to the Common Enterprise Entities' ACH funding accounts. The Receiver obtained the username and password and has reviewed certain of the files contained therein, but has not yet performed a complete analysis of the ACH transactions. Given the interrelationship of the Common Enterprise Entities, the Receiver believes that it is critical to perform a forensic analysis of how money is

collected from consumers and where RAM sends such money after it is automatically drawn from consumer bank accounts.

47. As described above, RAM has retained counsel and has been cooperative with the Receiver. On the evening of May 15, 2017, RAM's counsel provided the Receiver with a Dropbox link for a variety of account information. The Receiver has not yet reviewed such data.

48. While the Common Enterprise Entities maintained over 100 domain names, they did not have a significant online or social media presence. Should this Court enter a Preliminary Injunction or extend the TRO, the Receiver intends to re-route each domain name to the Receiver's informational website.

49. The Receivership Defendants appear to have an outside accounting service, Daszkal Bolton, LLP, for its accounting. The Receiver served a turnover and retention letter to Daszkal Bolton on May 10, 2017 with a deadline of 5 days to comply with the turnover request. To date, the Receiver has not received any information from Daszkal Bolton. The Receiver believes it is critical to perform a forensic analysis of the financial records of the Defendants and, given the regular commingling of funds, the Newly Discovered Entities.

50. The Plaintiffs served the Common Enterprise Entities' payroll processing company, Payday Payroll, with a copy of the TRO. The Common Enterprise Entities pay their employees (through various accounts), every Wednesday. On May 10, 2017, the day of the takedown, employees received paychecks for the prior week. The Receiver understands that HP Media, a Common Enterprise Entity, but not yet a Defendant, made the payroll payment. The Receiver is in the process of obtaining all payroll records from Payday Payroll.

C. THE RECEIVER'S WEBSITE, 1-800 HOTLINE, AND CUSTOMER INQUIRIES

51. The Receiver has created a website that will be a portal for customers and others

to obtain up-to-date information on the progress of this case and to communicate directly with the Receiver via an e-mail and a 1-800 hotline number. However, given that the pleadings and docket only recently have been unsealed, the Receiver has not yet activated the website.

52. RAM, the Common Enterprise Entities' ACH processing company is providing the Receiver's contact information to consumers with questions why their ACH withdrawals have not processed since entry of the TRO and asset freeze. The Receiver has set up a dedicated e-mail address (ram@gjb-law.com) to field those inquiries and has returned all phone calls and e-mails.

D. INTERVIEWS WITH KEY EMPLOYEES AND OTHERS

53. The Receiver understands that Mr. Marcus and Mr. Smith operate and run the Common Enterprise Entities from the Pompano Complex and that Ms. Segrea operates the Common Enterprise Entities and Discount Marketing USA S.A. from the Panama location.

54. The Receiver's professionals conducted an initial interview with Defendant Jeremy Marcus on May 10, 2017 at the Pompano Complex. Mr. Marcus has not provided either the Plaintiffs or the Receiver with the required Financial Disclosures for either himself, the Receivership Defendants or the Relief Defendants, all of which are past due under the TRO. On May 12, 2017, Mr. Marcus did turn over his cell phone and a laptop to the Receiver.

55. The Receiver's professionals conducted an initial interview with Defendant Craig Smith on May 10, 2017 at the Pompano Complex. Mr. Smith provided keys for various items around the Pompano Complex, including cabinets, storage lockers and safes.

56. Defendants Smith and Segrea produced portions of their Financial Disclosures to the Plaintiffs and the Receiver on May 16, 2017. The Receiver is reviewing such disclosures. Further, on May 16, 2017, the Receiver made demand to counsel for the Defendants to provide

all materials called for in Sections D(1)(a) & (b) and E(1) & (2) of the TRO.

57. The Receiver's team interviewed employees to gain an understanding of their job functions and how the Defendants conduct business. Employees interviewed by the Receiver's team include:⁴

- a. Jeremy Lee Marcus, Chief Executive Officer
- b. Craig Davis Smith, Chief Operations Officer
- c. Mike Silva, Violations Review
- d. Michelle Rolle, Paralegal
- e. Zena Sabell, Paralegal
- f. Paul Herman, Esq. – Consumer Advocates Law Group, PLLC
- g. Jeremy Menns, Human Resources
- h. Anthony Loch, IT Professional
- i. Omar Glenn, CRM Administrator (located in Panama)
- j. Elvis Collado, Vicidial Phone Systems Administrator

58. The Receiver's team also interviewed the following people regarding the business and financial affairs of the Defendants:

- a. Corinne Wright MacLeod, Esq., Minnesota Department of Commerce

59. In addition, the Receiver's team sent turnover and preservation letters to the following professionals regarding the business and financial affairs of the Defendants:

- a. Mr. Dennis D. Smith, Tripp Scott
- b. Mr. Seth E. Ellis, Tripp Scott
- c. Mr. Gerald Greenspoon, Greenspoon Marder, P.A.
- d. Franqui Totten, LLP
- e. Michael I. Daszkal, Daszkal Bolton, LLP
- f. Lindner & Lindner, PC
- g. James T. Meggesto, Holland & Knight
- h. Samuel Rogatinsky, Rogatinsky & Matthews
- i. Fixtel, Inc. d/b/a VICIHost.com
- j. Quijano & Associates
- k. Salinas & Salinas
- l. Gray & Co.

⁴ Pursuant to section 13(C) of the TRO, the Receiver catalogued pertinent information from these employees, including their name, home address, social security number, job description, company history, passwords or access codes, method of compensation, and all accrued and unpaid commissions and compensation of each such employee or agent.

m. MZ Accounting Services, Inc.

E. RECEIVER'S ACCOUNTS AND ASSET STATUS

i. Bank Accounts and Financial Processors

60. On May 10, 2017, the Plaintiffs served the TRO upon the Defendants, various financial institutions and parties in interest. On May 12, 2017, upon seeing clear evidence of commingling, the Receiver re-served the TRO to 18 Banks with the names and FEIN's of certain of the Newly Discovered Entities. The Receiver also served various Merchant processors, including RAM, the Common Enterprise Entities' primary ACH processor.

61. The Receiver opened a fiduciary checking account, savings account and rent account at Biscayne Bank. The various Banks have not confirmed any account information or turned over any balance information or funds to the Receiver.

62. RAM has confirmed that they are holding \$114,613.98: \$27,013.93 that would have been transferred to Associated Administrative Services LLC (named as a dba of Instahelp America, Inc., but not on its own as a Receivership Defendant or Relief Defendant), \$87,600.05 that would have been transferred to White Light Media, LLC (not a Receivership Defendant or Relief Defendant). Neither Associated Administrative Services LLC nor White Light Media, LLC are named Defendants in this action, however, they are part of the Common Enterprise Entities and the Receiver will be seeking to expand the Receivership over such entities. Both such entities collected consumer monies, but it is unclear which entity the consumer entered into an Agreement with, however Defendants' counsel informed the Receiver that White Light Media "was a disbursement account for RAM to deposit funds. They paid out the other entities."

ii. Post-TRO Cashier's Checks

63. On Friday, May 12, 2017, Amanda Finley, Jeremy Marcus' wife, advised that she had obtained a certified check for \$282,356 closing out the TBE account held in hers and Marcus' names at Citibank even though the TRO was served on her husband Defendant Jeremy Marcus at home on May 10, 2017. She represents that she obtained the check prior to learning of the Court's Order. The certified check is dated May 11, 2017 and the receipt shows a time of 1:38 p.m. Ms. Finley advised that she attempted to repatriate the funds to the account at 5:30p.m. on May 11, but that the bank had closed at 5:00p.m. She further advised that she again attempted to repatriate the funds prior to her disclosure to Receiver's counsel, but was informed that the bank rejected her attempts owing to the Court's Order. Ms. Finley turned the check, which she had endorsed, and the related bank receipts over to Receiver's counsel immediately after disclosure. The check and the receipts are currently maintained in a locked safe at the Receiver's office.

64. On Monday, May 15, 2017, Jack Marcus, Jeremy Marcus' father, closed out Relief Defendant Halfpay International, LLC's account at TD Bank via cashier's check in the amount of \$255,000.00 (even though TD Bank had been served by both the Plaintiffs and the Receiver). The cashier's check was dated May 15, 2017 and the enclosed receipt was time stamped at 12:33 p.m. The cashier's check and receipt is currently maintained in a locked safe at the Receiver's office.

iii. Real Estate Holdings

65. The Relief Defendants and many of the Common Enterprise Entities have significant real estate holdings. The real estate is held in the name of a special purpose LLC, or in a business trust which is the managing member and holder of the membership interests in each

special purpose LLC. The Receiver may seek to expand the receivership over each special purpose LLC holding real estate and its corresponding Business Trust at the appropriate time. Jack Marcus, Jeremy's father, is the Trustee of all of the Business Trusts and Jeremy is the sole beneficiary. Initial due diligence suggests that the real estate was quit claim deeded back and forth between the special purpose LLC's and the Business Trusts.

66. Either Mr. Marcus or certain of the Common Enterprise Entities were also hard money lenders for others to purchase real estate and other property, including Defendant Craig Smith. A list of real estate holdings as of March 1, 2016 is attached hereto as Exhibit "F." This Exhibit does not represent a complete listing of Jeremy Marcus' current real estate holdings, but the Receiver attaches this list to show that they are extensive in the absence of current financial disclosures.

67. On May 16, 2017, 412 Boynton Beach, LLC (not a Defendant, but a Common Enterprise Entity) closed on a condominium located in Boynton Beach, FL. 412 Boynton Beach LLC is a special purpose entity created to own the condominium and the Managing Member and owner of the membership interests is the 412 Boynton Beach Business Trust of which Jack Marcus (father) is the Trustee and Jeremy Marcus is the sole beneficiary. Marcus executed the closing documents and Amanda Finley, his wife, was the Seller's real estate agent. The proceeds of the sale, approximately \$173,000.00, will be held in escrow (by the escrow agent) pending further Order of this Court. Further, no broker's commission will be paid to Ms. Finley pending further Order of the Court. In connection with the Closing, the Receiver's law firm fronted \$3,850 to the Buyer as a return of their security deposit and last month's rent as they were former tenants of the property. The Receiver reviewed the appraisal for the property, observed that the

purchase price was higher than the appraisal and allowed the closing to go forward to best preserve the value of the asset.

68. Another real estate closing scheduled for May 31, 2017 for a condominium owned by 72 SE 6th Ave., LLC, a Relief Defendant. If either a Preliminary Injunction or an extended TRO are in place at the time of the closing, the Receiver intends to handle the sale proceeds in the same manner as described above.

F. AFFILIATED ENTITIES

69. Through the course of the Receiver's initial due diligence, he discovered additional affiliated entities that operate from the Pompano Complex that appear to have intertwined operations and financials with the Defendants: Client Support Team, LLC; Cockburn & Associate LLC; White Light Media, Inc.; Discount Marketing II, LLC; Glasswell Capital, LLC; First Rate Holdings, LLC; HLFP, LLC; HP Properties Group, Inc.; HP Media, Inc.; JLM85 Management, LLC; NOTT8PB, LLC; Omni Financial Management Inc.; Omni Management Partners LLC; Opaque LLC; Shielded Network LLC; 111 SW 2nd St., LLC; 116 SW 2nd St., LLC; 211 SE 4th Ave, LLC; 311 SE 3rd Ave., LLC; 412 Bayfront Drive, LLC; 422 Bayfront Drive, LLC; 8209 Desmond Drive, LLC; Viking Management Services, LLC; Pro Star, LLC; Summit Management, LLC; Blue 42, LLC; Timing is Everything, Inc.; Helping America Borrow, Inc.; FFN Business Trust; 321Loans Business Trust; Instahelp America Business Trust; BFS Business Trust; Helping America Borrow Business Trust; Associated Administrative Service Business Trust; ACS Business Trust Active Debt Solutions Business Trust; First Rate Holdings Business Trust; HLFP Business Trust; 1901 Abbey Rd, LLC; 17866 Lake Azure Way Boca Business Trust; US Legal Club Business Trust; Guardian LG Business Trust; Halfpay International Business Trust; JLMLP Pompano Business Trust; Paralegal Support Group Trust;

Omni Management Partners Trust; JLM85 Management Business Trust; Glasswell Capital Business Trust; Cockburn & Associates Business Trust; Opaque LLC Trust; Discount Marketing II Trust; MD Marketing; HP Property Group Business Trust; HP Media Business Trust.

70. If the Receiver is permitted to continue his investigation, the Receiver intends to file a Motion to Expand the Receivership to cover the above-listed entities where appropriate.

III. CONSUMER LOSS

71. The Plaintiffs allege that the Consumer Loss could exceed \$50,000,000. Further, Defendant Jeremy Marcus has stated to the Receiver that “the companies throw off over \$1 million a month.” The Receiver has had insufficient access to financial records to corroborate such numbers to date.

IV. RECEIVER’S INVESTIGATION OF DEFENDANTS’ “LEGAL DEPARTMENT”

72. The Consumer Advocates Law Group PLLC maintains an office in Suite 102 at the Pompano Complex. This law firm has common employees with the Common Enterprise Entities and purports to provide legal services to customers of the Common Enterprise Entities. Previously, legal matters were handled through the Berges Law Group, and then the Kerr Law Group, P.A. and currently, Paul Herman (“Herman”).

73. According to Zena Sabell (“Sabell”), a non-lawyer, when clients are sued, they are required to pay an additional amount for legal representation (\$300-\$1,000). Clients who are sued for \$2,500 or less (currently 900 people/claims) are handled by “case management” consisting of 3 people in Panama. No answer is filed because Defendants don’t want to pay filing fee costs, much less cost of counsel. Per Sabell, these consumers are being mistreated.

74. Clients who are sued with claims in excess of \$2,500 (for the additional fee) are provided with a defense. There are approximately 800 of such cases currently pending, and,

according to Sabell, they are for the most part all being defended by Sabell and her paralegal assistant, Michelle Rolle (“Rolle”). Information concerning these suits is tracked in the Client Relationship Management (“CRM”) Program / CRM Website: crm.myclientservices.com which is used to track clients, amounts paid, pending litigation, and document management. Sabell advises that she and her assistant track all lawsuits, draft the pleadings and motions, and send them to attorneys in the states where the lawsuit is pending for a signature when necessary.

75. When a client is signed up, CRM generates a form letter to creditors that is sent on behalf of the client asking creditors to validate debt, the amount owed, and a cease and desist request.

76. When a client gets sued, they either call the main client services number or go online to report a suit. If the client was part of 321, Help America or Instahelp, the Defendants would negotiate a one-time payment with whatever the client paid in principal (i.e., excluding interest payments). Sabell had access to view how much they paid via AutoPal. Sabell had authority to make settlements without discussing same with clients. If the client didn't have enough principal for a one-time payment, Sabell would call the client and explain that they would have to come out of pocket to make payments directly to the creditor based upon what the client could afford on a monthly basis. Most clients couldn't afford a one-time payment.

77. If clients had any questions regarding the legal process they were told to call the Customer Service Department (which calls were routed to Panama).

78. Additionally, Sabell, not Herman, appears to be in charge of overseeing the “legal department” and out of state lawyers. On some of the documents Sabell sends to Court, she signs as Zena Sabell, J.D. Sabell also appears to have the use of the letterhead of at least one out of state law firm and has sent correspondence on that letterhead.

79. On a number of occasions where Defendants (through in-house counsel) were able to successfully assert Telephone Consumer Protection Act (“TCPA”) or Florida Consumer Collection Practices Act (“FCCPA”) or other similar claims for statutory damages on behalf of clients, Defendants pocket all or most all of the damages awarded to clients.

80. Correspondence discovered by the Receiver suggests that the Defendants do not disclose to the consumers the amount of the award that was obtained on their behalf or that they have a legal right to the full amount of the award unless the consumer entered into a valid contingency agreement with his/her lawyer, of which there is no evidence, and which would not seem to justify, in any event, a payment to the Defendants who are all non-attorneys.

81. A sampling of the Settlement Agreements on file reflect the following:

(i) Some clients would receive correspondence on Helping America Group letterhead stating that based on the call logs and/or collection letters they submitted “our attorneys” have reached an out of court settlement for dismissal of their account balance (i.e., \$1,374.34) and damages.

(ii) In other cases (example William G.), the client was sent a nominal amount (\$1,000) from the Kerr Law Group despite the credit card company paying substantial amounts (\$80,000) to settle TCPA / FCCPA violations.

(iii) In another case, the settlement was \$70,000, the Defendants kept \$69,000, and the customer was given \$1,000 without apparently being told about the \$70,000 settlement recovered.

82. In another case the settlement was for \$20,000 and the Client was paid \$250.

This pattern is consistent throughout all of the Settlement Agreements reviewed.

83. In yet another case, attorney Herman obtained an award and payment of \$80,000. He agreed to give 100% of that recovery to Defendant Jeremy Marcus as purported repayment for amounts advanced by Defendants to Herman for his computers and furniture in the Defendants' Office. The identity of the customer is unknown.

84. In each instance where a financial recovery has been obtained for the client, Defendants have also required as part of the settlement that the creditor dismiss its claim against the customer with prejudice. However, based upon interviews with Sabell and Mike Silva, the consumer may continue to owe fees to Defendants. In particular, as Defendants have admitted, under one business model they claim to have ceased, Defendants charged consumers fees throughout the relationship under the guise of receiving a loan from Defendants in an amount equal to the amount of their consumer debt plus interest even though no money was ever advanced to anyone. The Receiver understands that even if Defendants have recently stopped the continuing fees consumers must pay as "loan" repayment fees, current consumers are still paying those loan repayment fees—even some consumers who settled TCPA and/or FCCPA claims and did not receive the full amount of the settlement.

85. Rolle indicated that Defendant Jeremy Marcus told her that he was her "boss' boss" and thus her boss. Rolle explained that it is her understanding that she works in the legal department for entities owned by Jeremy Marcus. She emphasized that she was not really aware of what services the different departments/companies owned by Jeremy Marcus provided. Rolle and Sabell expressed uncertainty in regard to what the interplay was between their department and companies owned by Jeremy Marcus, but agreed that there was some overlap.

86. Rolle stated that clients would sometimes complain to her and Sabell regarding the services provided by the Defendants. In those instances, Rolle and Sabell would refer such

clients to “client services” in Panama. Rolle stated that she believes that there are about 30-40 employees working in Panama.

87. According to Rolle (and Sabell), there are 1,700 total active cases with about 995 being handled by the Panama office. Thus, there are 705 active lawsuits where the Defendants are providing a legal defense and the Receiver has taken steps to ensure that these defenses preliminarily continue.

88. Paul Herman, is presently occupying a desk in Suite 102. Herman is a Florida-licensed attorney who recently regained his Florida Bar license after having served a suspension for failing to supervise his staff, allowing a fraudulent order to be created and distributed and allowing a client to mistake or believe one of his employees was an attorney. As a result of Herman’s bar suspension, his staff (including Sabell and Michael Silva) went to work for Jeremy Marcus. Herman also joined the group after winding down his office and was employed by Jeremy Marcus to provide legal services (purportedly as a consultant). Among other things, the e-mails and documents reviewed on premises reflect that Herman was providing legal advice to Jeremy Marcus during his bar suspension.

89. Herman’s firm, Consumer Advocates, is a contract lawyer with US Legal. Herman appears to operate a law firm out of the Defendants’ premises called Consumer Advocates Law Group, in that he appears to defend some of the Defendants’ clients sued in Florida and was brought on by Defendants Jeremy Marcus and Craig Smith during his suspension and public reprimand from the Florida Bar (May 14, 2015 – February 6, 2017). Herman says Yisbet Segrea is the supervisor for US Legal Club. Herman also reports to Defendants Yisbet Segrea and Craig Smith, both non-lawyers.

90. Additionally, payments to Herman and to the other attorneys throughout the U.S. that appear in court on behalf of Defendants' clients, flow through his wholly owned Consumer Advocates Law Group firm (the same was previously done through the Berges and Kerr law firms). However, these funds all originate from Defendants and in most cases come from US Legal.

91. Herman's company, Consumer Advocates pays Sabell and Rolle as part-time employees. He does not know if they are paid by any other entity and he does not know if they do work for any of Jeremy Marcus' or Craig Smith's companies. He pays them for part-time work but they do not invoice him or keep track of their time and what they are working on. Herman also advised the Receiver he had a lease for space in the US Legal Club suite for \$1,000.00 per month but pressed for details he admitted that there was no written lease and could not confirm the specific space leased or the terms of the lease. He does not even know if he has emails or communications regarding the "lease."

92. It is Herman's understanding that US Legal Club is a service for "pre-paid" legal services. Herman claims to not have seen a contract between US Legal Club and a customer and does not know the specifics. He says he has no involvement in signing up the client.

93. Defendants set up a network of lawyers program in order to handle litigation cases across the country as cheaply as possible. A number of Local Counsel Agreements were found on premises by and between the Kerr Law Group and out of state counsel to perform legal services across the country when suits were filed against clients. Sue Travis would handle advertisement and review of resumes submitted for retention of outside counsel. A file cabinet by Ms. Travis' cubicle contained a number of files with copies of agreements between the Kerr Law Group, P.A. and local counsel.

94. Generally, local counsel was paid a \$350 flat rate for case assignment and filing of a motion to dismiss or answer and affirmative defenses, as well as, discovery. In addition, they were paid \$100 for filing of completed responses, \$50 for initial review and amendment of *pro se* answer, and \$75 for pre-litigation letter concerning FDCPA and TCPA violations. Per agreement, contract lawyers agreed to joint responsibility with the Firm over work product.

95. The monitoring and development of the Attorney Contract List was developed by Sue Travis (bookkeeper) through March 2017 when she quit. Advertisement was used to interview and retain out of state counsel. Michael Silva was hired to analyze attorney costs, streamline and reduce costs (Mr. Silva formerly worked with Paul Herman).

96. At the Pompano Complex, a folder labeled "Atty to be Paid", contains a list of names and amounts due to local counsel for services rendered. Payments to local counsel made from the AutoPal account at Chase or individual checks were issued from the Kerr Law Group or Consumer Advocates Law Group PLLC. Pursuant to the interview with Herman, monies used to pay attorneys and paralegals were transferred from US Legal Club. Sabell was required to send Jeremy Marcus daily reports of amounts paid to out of state lawyers in the US Legal Club. Receiver is still reviewing pending litigation and will determine whether or not it is appropriate to appear or participate.

V. OPERATIONS

A. THE BUSINESS MODELS

97. Defendants state in their brief that the services they provide to consumers are to verify each alleged debt of the client and then send validation letters to each creditor pursuant to the FDCPA. If a creditor fails to validate a given debt, Defendants demand removal of the debt from the client's credit report. Defendants claim that if a creditor fails to comply (and

presumably files suit against the client), Defendants refer the client to US Legal Club (“USLC”) for legal defense “for no additional fee.” Defendants also state that about two and a half years ago, they began to “actually put themselves on the hook for the debts, assuming the liabilities of the consumers’ valid debts and agreeing that by the end of the program, the consumers are freed of their debt obligations.”

98. Defendants charge customers a monthly fee which they describe as payments upon “a special purpose service loan” “financing” Defendants’ debt programs, i.e., to pay Defendants for “providing the services above—disputing debts, sending verification request letters and paying counsel to litigate over the debts. And, when necessary, paying to settle the debts.” Defendants say that the “special purpose loan” benefits clients by allowing them to pay a manageable monthly payment to have Defendants work on eliminating their alleged debts. Defendants report “monthly loan payments” to credit agencies, allegedly improving clients’ credit scores.

99. Defendants allege further that they purchase “leads” of failing debt relief companies, and convert their customers to becoming their own. For each new set of consumers that come over, Defendants typically create a new entity. Defendants allege further that they distinguish their constituent companies based on the services each generally provides to consumers. Paralegal Support Group LLC f/k/a Paralegal Staff Support LLC provides back office support for attorneys, Associated Administrative Services, LLC also d/b/a Jobfax provides Customer service, verification, processing, back office support, management, and IT. US Legal Club, LLC provides Legal Memberships, Associated Administrative Services provides back office support and administration to all of the companies. Breeze Financial Solutions and Credit Health Plan allegedly provide credit corrections and education to consumers.

B. ADDITIONAL INVESTIGATION REPORTS

i. Sales Scripts and Boiler Room Documents

100. Upon takedown of the Pompano Complex, the Receiver located several scripts and sales related documents at telemarketer work stations. A select group of scripts and documents are attached hereto as Composite Exhibit “G.” The scripts contain numerous misstatements and provide for the communication of misleading information. For example:

- (1) Script 1 has the telemarketer explain that they are from the security department and that they want to verify personal information. If the consumer declines to speak with a representative, the telemarketer making the “security call” has instructions to rebut themselves and “win over the client.”
- (2) Script 2 labeled (Negotiation Credit Service) appears to describe a phone call that a telemarketer might make to a consumer that was previously utilizing the services of Solid Financial Group or Global Client Solutions⁵. Script 2 states, in pertinent part: “The best thing about our program is we GUARANTEE our results in writing. So at the end of the day, YOU HAVE ABSOLUTELY NOTHING TO LOSE!”
- (3) Script 3 labeled “Helping America Group – Sales Rebuttals” provides a series of Q&A’s for telemarketers to follow. Question 6 states “How do you get paid if you are a nonprofit corporation?” The Answer provided is: “All the money that we make goes back into the purpose of our company, which is to provide you with solutions to your unsecured debts.” The Receiver understands from his interview with Jeremy Marcus, that the companies were “throwing off” \$1 million

⁵ The Receiver believes that one of the Common Enterprise Entities purchased a “book of business” from Solid Financial Group or Global Client Solutions and then began soliciting its consumers.

a month and that Mr. Marcus regularly withdrew profits to invest in real estate and other ventures.

- (4) Script 4 labeled “American Advocacy Alliance” is handwritten and contains this statement: “We are a 501c3 corporation, non-profit organization. We work under the FTC Guidelines.” It also states: “We gaurantee [sic] the resolution of you [sic] debts in writing.”
- (5) Further scripts encourage telemarketers allegedly working for Viking Management Services to pretend to be someone other than from Viking Management Services in order to convince the consumer to turn over their prior escrow balance to Viking Management Services (a Common Enterprise Entity).

101. Above are just a few of the misstatements and lies contained within the scripts that were located in the Pompano Complex boiler room on May 10, 2017. As a result, the Defendants’ contention that the business models have changed and that it does not make misstatements to consumers appears to be dubious.

ii. Receiver’s Discussions with Consumers

a. Joan R.

102. The Receiver’s representatives spoke with Joan R. who is enrolled in a debt relief program with Viking Management. Originally, Joan R. enrolled in a debt relief program with Global Solutions. Sometime this year, Joan R. was informed in writing by Viking that it had taken over her account and she needed to pay them the monies escrowed with Global Solutions.

103. Joan R. was further told that Global would reimburse her for the escrow monies paid to Viking. Viking then deducted the amount of the escrowed monies from her account and

has been taking the monthly deductions from her account. Joan R. stated that she is still getting calls from creditors and her credit score has gotten worse.

104. The Receiver believes it is important to note that her story directly contradicts Mike Silva's (a high level employee) description of how Viking Management did business and transferred accounts from Global Solutions. Joan R. was not given any options, including keeping her escrowed monies and terminating her plan. In fact, Viking attempted to renegotiate her deal with Global Solutions where she would pay another 18 months of monthly payments.

b. Gary F.

105. Gary F. signed up with Consolidated Credit in 2014 for the purpose of consolidating his credit card debts. His bank account has been debited \$333.00 a month since he signed up with Consolidated and he had assumed that his debts were being paid.

106. Last week he was served with a lawsuit by one of his credit card companies. He contacted Consolidated and was told that Consolidated had not taken money out of his account since June 2014. He contacted RAM and RAM told him about the TRO and account freeze and told him to call the Receiver. RAM refused to tell Gary F. the name of the company taking money out of his account.

107. A search of the CMR shows that Gary F. is a customer of Omni Management Partners, LLC (not a Receivership Defendant or Relief Defendant, but part of the alleged common enterprise). It appears that Gary F. has been in the CMR system since July 2014. The CRM also shows that the first debt dispute letter sent on Gary F.'s account was sent by Omni in February 2017 even though they have been taking money out of his account since July 2014.

108. Gary F. claims to have paid the \$333.00 every month since June 2014 and he is very upset that he has been sued. He wants to know what happened to all the money he has been paying.

c. Samantha W.

109. Samantha W. is a former customer of Solid Ground. She contacted Solid Ground in January or February 2017. She wanted Solid Ground to help her speak to the creditors with whom she could not work out a payment plan. Solid Ground was supposed to come up with a payment arrangement with the creditors. The purpose of using Solid Ground was to could get rid of late fees and interest charges. Her payment plan with Solid Ground was to pay \$406.00 per month. She referred her friend and co-worker Candice S. to Solid Ground.

110. In March, 2017, Samantha W. learned Solid Ground had sold her account to Viking Management. She contacted Viking by phone and set up the account with Viking online and Viking began taking money out of her account.

111. On May 7, 2017, she was served at her home with a lawsuit by Cash One, a payday lender. The next day, Monday, May 8, 2017, she received an email from Cash Net, a different payday lender, advising her that the payment had not been received. When she signed up with Viking the customer service person, Chelsea Townsend, told her that Viking needed the \$182.00 refund from escrow she was receiving from Solid Ground in order to make the last payment to Cash Net.

112. On May 8, 2017, she called the Viking Customer Support Team (she spoke to an unidentified man), and was told that there was nothing they could do to help her. They had a heated conversation and she hung up on them. When she called back the next day the number was disconnected.

d. Candice S.

113. Candice S. was also a former Solid Ground customer. She spoke directly to Jeremy Menn and he told her that Solid Ground had gone out of business and that Viking was taking over her account. He said that Viking would clean up her credit score and wipe out her debt. She was originally taking care of 2 payday loans for \$3,000 but Jeremy convinced her to put all of her debt (\$17,000) with Viking.

114. She spoke with Jeremy Menn for over an hour and a half and was told: The first thing that Viking would do is to fight the debt. The creditor would have to prove the debt. If there was proof of the debt then Viking would come to a settlement and Viking would pay the debt and the payments taken out of her account by Viking would be her repayment of the debt.

115. She signed up with Viking in March 2017. She never signed any loan documents but it was her understanding that Viking would be taking care of the debt and whatever she was paying to Viking would be used to pay Viking back for paying the debt. Jeremy Menn told her “don’t worry about anything. Report any debt collection calls and download any debt collection letters through the client portal.”

iii. Amanda Finley’s Use of Bankruptcy Judge Raymond B. Ray’s Judicial Stamp

116. During the Receiver’s review of documents at the warehouse was a release dated October 21, 2016 located on Marcus’ laptop computer. That release calls for the payment of \$5,917.39 to Amanda Finley (Marcus’ wife and a former law clerk to the Honorable Raymond B. Ray) and her attorney Otto Berges. The release purports to release Universal Services of America and Preston Melvin in relation to an accident that occurred on July 30, 2016. The release, attached hereto and incorporated as Exhibit “H”, has a notarial section at the conclusion of the form. The juriat for the notarial form indicates that Ms. Finley appeared in person.

However the document does not bear the stamp of a Notary Public, but rather bears the “Ordered” stamp of Raymond B. Ray, United States Bankruptcy Judge with what is, upon information and belief, his electronic signature stamp. The stamp also bears the official stamp of the Court.

iv. Dissipation of Assets

117. Defendants claim there is no danger of dissipation of assets. The relevant evidence to date, however, does not support this conclusion. First, following service of the TRO, related parties have violated the TRO and asset freeze. Amanda Finley Marcus, Defendant Jeremy Marcus’ wife was served with the TRO via email on May 10, 2017 at 8:29 a.m. The following day, on May 11, 2017, Ms. Finley went to a Citibank branch and according to the receipt at 1:38 p.m. closed out a TBE account she had with her husband by Cashier’s Check in the amount of \$282,356. She claimed to have no knowledge of the TRO and stated that she closed out the account because she was “mad” at her husband, Jeremy Marcus. She thereafter made two attempts to redeposit the check without success. Notably, despite being in regular contact with Receiver's counsel regarding a pending real estate closing, Ms. Finley did not disclose her activity regarding the check until after her second failed attempt to redeposit the check.

118. Further, under similar circumstances, Jack Marcus, Defendant Jeremy Marcus’ father, withdrew \$255,000 from Relief Defendant Halfpay International, LLC’s account at TD Bank, despite TD Bank being served with the TRO and Asset Freeze. The Receiver does not know the specific circumstances as to why Jack Marcus decided to ultimately turn the cashier’s check over to the Receiver, but this second violation of the asset freeze further evidences the danger of a dissipation of assets.

119. In addition, the Receiver has confirmed that significant amounts of money have been transferred out of those entities. According to Marcus, the enterprise is making \$1mm per month. Marcus further confirmed in interviews that he took monies out of the companies, by alleged loans or distributions, for the purpose of making private investments and has recently transferred those interests into business trusts, with his father as the Trustee. The Receiver has also learned that Defendant Jeremy Marcus may have recently made significant investments in a coal mine in Canada.

120. As discussed in further detail above, on April 27, 2017, \$1.2M was transferred to the Panamanian bank account of Discount Marketing USA, S.A., an affiliate of the Defendants. This entity was formed and the customer support division of the enterprise, including the CRM service, was transferred there in 2015 in a shipping container costing \$26,000.00.

v. Regulatory Activity – State of Minnesota

121. On May 16, 2017, the Receiver interviewed Corinne Wright MacLeod, Esq., as a representative of the Minnesota Department of Commerce. Ms. MacLeod was counsel for the Department's enforcement action described in the Declaration of Jeremy Marcus in his Response to Motion for Entry of Preliminary Injunction.

122. First, Ms. MacLeod confirmed that she had an opportunity to review the declaration as it pertains to statements and exhibits regarding the Minnesota AG's "inquiry" as described by Marcus. The matter is not a Minnesota Attorney General action, in that the MN AG is not a party, the MN Department of Commerce is a party and the MN AG's office provides counsel. Ms. MacLeod further clarified that the initial statement at paragraph 10 with the subheading "Minnesota" is not accurate insofar as it states that "certain of the Defendants (Financial Freedom National Inc., dba 321 Loans, Helping America Team, Inc., dba Helping

America Group and US Legal Club LLC)” were involved in the matter Mr. Marcus refers to the Minnesota AG’s inquiry. The entity which is the sole subject of the MN Department of Commerce’s enforcement action focus is Active Debt Solutions a/k/a Guardian Legal Center, not any of the defendants listed by Mr. Marcus. Ms. MacLeod also noted that it was possible the MN Department of Commerce may be investigating any of those other defendants, but they are not parties to the current enforcement action involving Active Debt Solutions. Ms. MacLeod advised that she has no knowledge of other matters pending in the AG’s office relating to Mr. Marcus and can neither confirm nor deny the existence of such additional matters.

123. Second, the matter referred to by Mr. Marcus involving Active Debt Solutions arises from an enforcement action as noted above, by Minnesota’s Department of Commerce, as represented by the AG’s office. Ms. MacLeod advised that the Department of Commerce’s enforcement action focused on dealings between Active Debt Solutions and at least 112 Minnesota consumers. Ms. MacLeod advised that contrary to the statement that the AG’s office has spent a great deal of time reviewing the “Defendants” practices, in fact, only Active Debt Solutions’ practices have been reviewed and investigated and that was done by the Department of Commerce, not the AG’s Office.

124. Regarding the exhibits attached to Mr. Marcus’ declaration which appear at Exhibits B-D, Ms. MacLeod confirmed that the contents for those exhibits were provided to the Minnesota Department of Commerce in connection with certain settlement negotiations. Ms. MacLeod stated that as to the purported declarant statements at Exhibit B, the Department has not yet contacted any of the declarants to verify the statements. As to the spreadsheets attached to Mr. Marcus’ declaration as Exhibits C and D, she confirmed receipt of the spreadsheets and stated that the Department of Commerce has requested back up to support the representations

made therein, but had not yet received such back up. Further, all State of Minnesota declarations attached to Mr. Marcus' declaration are from 2014.

125. Finally, she advised that such exhibits were provided to the Department of Commerce in connection with Active Debt Solutions attempts to mitigate the amount of restitution under negotiation to be paid to Minnesota consumers whose files were a part of the Department of Commerce's enforcement action.

vi. Regulatory Activity – State of Maryland & Iowa

126. The Defendants' Response to the TRO and Mr. Marcus' Declaration attached thereto states that regulatory activity with the State of Maryland had ceased after their submittal of a response to the subpoenas. The Receiver learned from Defendants' compliance counsel that the investigation was not completed, but merely abated due to the death of the investigator on or about September 2016.

127. Further, on May 1, 2017, the Iowa Department of Justice ("Iowa DOJ") sent correspondence to Jeremy Marcus, Yisbet Segrea, InstaHelp America, Inc., 321 Loans, Inc. and Helping America Group, Inc. regarding the ongoing investigation. The Iowa DOJ identified additional businesses that were "likely to have engaged in practices similar or related to those described in this letter in Iowa", certain of which are Defendants and Newly Discovered Entities. A copy of the Iowa DOJ letter is attached hereto as Exhibit "I."

VI. THE RECEIVER'S PRELIMINARY OBSERVATIONS

128. The Receiver's preliminary observation is that operations should remain closed until he can complete a full investigation into the affairs of the Receivership Defendants, Relief Defendants and Newly Discovered Entities. Significant offshore transfers, false descriptions of business operations from current employees, potential appropriation of consumer litigation

settlement funds, commingling of funds among the Common Enterprise Entities, possible unauthorized practice of law, dissipation of assets, potential misleading statements to customers under the “new business model”, misstatements in the Defendants’ response about the status of regulatory actions and, among other things, lack of time to compile and review financial disclosures and banking information are very troubling to the Receiver. Upon completing a full investigation, the Receiver anticipates that he will be able to make an informed recommendation as to whether the Receivership Defendants, Relief Defendants, and the Newly Discovered Entities can be operated profitably, while also lawfully.

129. Most importantly, until the Defendants fully comply with the TRO, particularly with respect to financial disclosures and turnover of property located in Panama (which belongs to the Receivership Defendants based on the shipping container receipt from 2015), this Court should not unfreeze the assets of the Defendants or dissolve the TRO.

VII. CONTINUING WORK

130. This Receivership is in its very early stages. There have only been 4 business days since the takedown. The Receiver and his team continue to search for and secure assets of the Receivership Defendants and Relief Defendants, as well as to identify any claims for recovery the Receiver may have against third parties or the Newly Discovered Entities.

131. Now that the record has been unsealed, the Receiver and his team will set up a mechanism for handling customer inquiries and providing customers with information.

132. The Receiver and his team continue gathering relevant information on the income and expenses of the Common Enterprise Entities.

133. The Receiver and his team continue to quantify the scope of the Sales Practices, to determine the likely universe of claims and the amount of any such claims.

Date: May 17, 2017

Respectfully submitted,

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-and-

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CERTIFICATE OF SERVICE

I HEREBY certify that on May 17, 2017, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on all counsel of record or pro se parties identified on the attached Service List in the manner specified, either via transmission of Notices of Electronic Filing generated by CM/ECF or in some other authorized manner for those counsel or parties who are not authorized to receive electronically Notices of Electronic Filing.

s/ Jonathan E. Perlman .
Jonathan E. Perlman

SERVICE LIST

Federal Trade Commission v. Jeremy Lee Marcus, et al.
USDC, SD Fla., Case No. 17-cv-60907-ALTONAGA/Goodman

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