

ORIGINAL FILED
Los Angeles Superior Court

AUG 30 2011

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13 SUPERIOR COURT OF THE STATE OF CALIFORNIA

14 COUNTY OF LOS ANGELES

15 THE PEOPLE OF THE STATE OF
16 CALIFORNIA,

17 Plaintiff,

18 v.

19 THE LAW OFFICES OF KRAMER AND
20 KASLOW, et al.,

21 Defendants.

Case No. LC094571

PRELIMINARY REPORT OF
RECEIVER

Judge: Frank J. Johnson

Dept.: B

Complaint Filed: August 12, 2011

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1 PRELIMINARY REPORT OF RECEIVER

2 I.
3 Introduction

4 On August 15, 2011, this Court entered an "Order Appointing Receiver and Order
5 to Show Cause re Confirmation of Appointment" (the "Receiver Order") appointing me
6 Receiver of the Non-Attorney Defendants, as defined at page 3 of the Receiver Order, and
7 certain assets of the Attorney Defendants, as defined at pages 3-4 of the Receiver Order.

8 Simultaneously, the Court issued a Temporary Restraining Order and Asset
9 Freeze as to all Defendants in this action and entered "Interim Possession" orders as to
10 the Attorney Defendants in a separate action filed by the State Bar of California ("State
11 Bar"), authorizing the State Bar to take possession of the Attorney Defendants' law
12 practices.

13 I respectfully submit this Preliminary Report to advise the Court of my initial
14 actions and to document my preliminary observations. While my investigation is ongoing
15 and my team and I will continue to develop all the facts, I want to update the Court as
16 quickly as possible. At the outset, I provide below a brief summary of my macro
17 observations.

18 Overview

19 An initial challenge to this receivership was to sort through the multiple
20 Defendants' operations at multiple sites, categorize Defendants' respective business
21 operations, and clarify the inter-relationships between Defendants and their various
22 Affiliates. Some Defendants are law firms and/or individual licensed attorneys. The
23 Non-Attorney Defendants are entities and individuals who either solicit business for or
24 provide services to these law firms.

25 Despite the complexity of Defendants' operations and inter-relationships, my
26 investigation to date has uncovered ample evidence to provide a general description of the
27 structure of the business operations of the Defendants and their Affiliates not named in
28 the Complaint.

1 Entrepreneurial attorneys contract with "client support" operators. These
2 operators have loose relationships with a stable of call rooms which can be tapped to
3 deploy the full force of modern direct marketing and telemarketing techniques on
4 homeowners with mortgage problems.

5 The sales apparatus is mobile and fluid. The call rooms are capable of selling
6 almost any product or service, though many of the call room employees appear to have a
7 history in the mortgage industry and loan modification sales. The attorney provides the
8 "product" to sell -- a seat at the mass joinder litigation table -- but as a practical matter, the
9 attorney usually has little or no client contact and does not play a significant role beyond
10 providing this product. Instead, this is a sales driven process captained by the client
11 support operators who recruit and retain the call room sellers, called Affiliates. In a page
12 from the Amway playbook, some Affiliates in turn recruit other Affiliates, who report up
13 through the recruiting Affiliate. Thus, there are dozens of Affiliates operating call rooms
14 in far flung locations.

15 The Affiliates buy lists of troubled homeowners and send out thousands upon
16 thousands of provocative mailers to entice inbound calls, which are answered by
17 telemarketers working on commission. Alternatively, the call rooms buy lead lists and
18 make outbound calls to homeowners. Along the way, the telemarketers deceive, over-sell,
19 and over-promise consumers.

20 When the client retainer comes in, it is split between the attorney, the client
21 support operator, and the sales arm. The client payment goes on a merry-go-round ride as
22 attorneys attempt to distance themselves from the fee-splitting with the non-attorney
23 sellers. Client payments are taken in by the client support operator. The funds are then
24 deposited by the client support operator in an account in the attorney's name. The
25 attorney then writes a check back to the client support operator which, in turn, pays the
26 call room. The attorney retains the smallest portion of the client retainer, while the non-
27 attorneys receive the lion's share.

28

1 Some Defendants also sell or have sold basic "loan modification" services, often
2 disguised with labels such as "alternative dispute resolution," but those services are
3 generally just preludes to the litigation sell. While some homeowners may have secured
4 some sort of modification, these services nonetheless appear to be clearly illegal and
5 unauthorized under a battery of regulations prohibiting and/or limiting advance fee loan
6 modification services by attorneys and non-attorneys.

7 At Section V, pages 44-45, I provide my conclusion that the businesses of the
8 Non-Attorney Defendants are so intertwined in fee splitting, deceptive advertising, and
9 illegal loan modification services that they can not be operated lawfully going forward.

10 **II.**
11 **Receivership Activities**

12 **A. Defendants' Sites**

13 As directed and authorized by paragraph 3 of the Receiver Order, we took
14 possession of designated offices of the Non-Attorney Defendants on August 17, 2011. We
15 coordinated our efforts with agents from the California Department of Justice and other
16 agencies. Below is a description of what we found and learned at each location. Some of
17 the sites designated in the Receiver Order were vacant or occupied by tenants with no
18 connection to this matter. We also uncovered an additional site not designated in the
19 Receiver Order.

20 As to each Non-Attorney site, we followed a consistent protocol. Our arrival was
21 synchronized for 10:00 a.m. at all sites, except for the Airway Drive site where we waited
22 for the State Bar to complete its work. All employees were immediately assembled in a
23 central place and advised of the nature of the case and the role of the Receiver. After
24 completing a brief questionnaire, most employees were excused. Employees removed
25 their personal belongings either at that time or at time designated in the days thereafter. If
26 the principals or supervisors were present, we generally asked them to remain for follow
27 up interviews. At some of the smaller sites, all employees were interviewed. The premises
28 were secured and locksmiths retained by the Receiver changed the locks. Forensic

1 computer experts retained by the Receiver set about to make mirror images of designated
2 computers on site. We provided supervised access to attorneys from the California
3 Department of Justice. Members of the Receiver team reviewed documents and records on
4 site and prepared a site summary and inventory of furniture and equipment as to each site.
5 For the site summary and inventory as to each site, see Appendix, Exhibits 1-8.

6 1. 30 Corporate Park, Irvine

7 Our preliminary intelligence indicated that this site was ground zero for many of
8 the Non-Attorney Defendants' activities. This intelligence proved accurate as this site was
9 a bustling operation covering approximately 20,000 square feet and deploying
10 approximately 60 people. The premises include most of the fourth floor of a four-story,
11 up-scale office building. Half the space was located on the North side of the building
12 (Suites 455-465) and the other half on the South side (Suite 400). The two suites were
13 separated by a hallway, but were clearly inter-linked. Both had the same name plaque on
14 their entry doors - Ramba Law Group LLC/ Kramer & Kaslow, PC. Neither of these two
15 law firms, however, are actually tenants of the building.

16 We learned quickly that despite the names on the doors, these were not law offices,
17 but the offices of entrepreneurial Non-Attorney Defendants and their various agents and
18 Affiliates selling mass joinder lawsuits and then processing the payments of those who
19 bought the sales pitch. Given that the two sides of the building had different functions and
20 cultures, we describe them separately below.

21 a. *Suites 455-465*

22 This Suite is an 11,000 square foot call room, complete with a training room with
23 24 person capacity, two break rooms, nine external offices (four empty), and 68 telephone
24 sales cubicles. Only 22 of the cubicles were actually occupied with another 46 standing
25 ready for future expansion. In June, 2011, the overall space had been doubled in size and a
26 dividing wall removed to create one large call center.

27 The lease is in the name of Creative Realty Solutions, an entity which appears to be
28 owned by brothers Kevin and Patrick Grom, who occupy corner offices in the suite. The

1 Groms have been selling mass joinder since 2010 and had recently assumed the *dba*
2 Consolidated Legal Group. This same *dba* has also been deployed by Defendant Van Son
3 and to a lesser extent Defendant Tapia. Another Grom entity – Wealth Institute – is an
4 approved “client adviser” of Defendant Attorneys Processing Center. Given that
5 Defendant Kramer and Kaslow’s name is on the door, that Consolidated Legal Group is a
6 *dba* specifically identified in the Complaint, and that the activities inside were clearly
7 activities covered by the Receiver Order, we asserted possession consistent with the
8 Receiver Order.

9 By all accounts, Kevin Grom was an erratic visitor to the office, while Patrick
10 Grom was the primary on-site manager. The role of Consolidated Legal Group at this site
11 was clear – sell mass joinder clients either to inbound callers responding to mailers or
12 through outbound calls based on any leads available. Most sales personnel worked on
13 100% commission, which we were told was 15-30% of the sale. Some reported that
14 inbound traffic was low and that they mostly made outbound calls based on leads provided
15 by management or leads that they acquired on their own.

16 Consistent with the site expansion, the Groms were advertising heavily on
17 Craigslist for more telemarketers. By all indications, the Groms intended to greatly expand
18 their sales operation.

19 Once the sale was made (by Consolidated Litigation Group or any other Affiliate
20 for that matter), processing of the retainer was transferred across the hall to Defendant
21 Attorneys Processing Center.

22 Throughout Suites 455 and 465, we found sales materials *ad nauseam* that
23 confirmed that the primary function of Consolidated Litigation Group operating out of
24 Suites 455-465 was to sell. The specific products being sold were Kramer’s mass joinder
25 cases, but most of the sales techniques could have been applied to any other product
26 category from beauty products to golf clubs. Consolidated Litigation Group was not in the
27 primary business of helping homeowners – it was in the sales business and it deployed the
28 full arsenal of sales techniques to make the sale. By the same token, Kramer, too, was in

1 the sales business, but preferred to have others do the actual selling for a piece of the
2 action. Some examples of these sales materials:

- 3 • Dear "Prospective Client" form letter from Philip Kramer, in which he
4 claims to "have a new and better approach" for unhappy homeowners,
5 with an attached PowerPoint summary regarding Kramer, Consolidated
6 Litigation Group, and Multi-Plaintiff Litigation. Multiple copies of
7 this letter were on site in Suites 400 and 455-465. Appendix,
8 Exhibit 9.
- 9 • Sales Training Manual with all the sales tools and skills needed to sell
10 mass joinder cases. The intake form instructs the salesperson to ask
11 the homeowner: "Is there anything more important to you than saving
12 your home and joining this lawsuit?" The manual also lays out the
13 sales basics: Like ("people buy from people they like")---- Listen
14 ("The Pitch")---- Believe ("The Benefits")---- Buy ("The Close"), with
15 instructions on how to deal with any objections to "The Pitch."
16 Appendix, Exhibit 10.
- 17 • Kramer and Kaslow "Client FAQ" with more background to
18 incorporate into the sales pitch. Appendix, Exhibit 11.
- 19 • Pitch outline for Hot Hot/Direct Mail Leads. The outline instructs the
20 sales person to "[g]et to know them, gain trust & support...[a]lways
21 respond wow..omg..that's terrible... 'how does that make you feel'?"
22 Appendix, Exhibit 12.
- 23 • Various scripts and rebuttals following the same sympathetic, stealth
24 attack sales approach, including a "Consolidated Plaintiff [sic]
25 Litigation Suit Overview." Appendix, Exhibit 13.
- 26 • Sample mailer from "Lender Settlement Department" at 30 Corporate
27 Park, Suite 455, Irvine telling the recipient: "You are a potential
28 Plaintiff in a National Mass Joinder Suit" stating that "[i]t is imperative

1 that you contact our offices immediately.” Appendix, Exhibit 14.

- 2 • Notice to sales representatives confirming the sales commission
3 rates—ranging from 12.5% to 30%—effective July 1, 2011.

4 Appendix, Exhibit 15.

5 b. *Suite 400*

6 Suite 400 is a more traditional-looking office with a formal reception area with two
7 adjoining conference rooms. Consistent with the nameplate on the door, it appears to be a
8 law office. However, we learned that despite the Kramer & Kaslow name on the door, it
9 was not the law firm’s space. Rather, it was leased by Defendant Attorneys Processing
10 Center through its signatory Defendant Gary DiGirolamo. We learned that Kramer was a
11 very infrequent visitor to the site. We were told by employees that he had visited the
12 Attorneys Processing Center offices (this location and an earlier location) three to four
13 times in the last year.

14 The actual office space is comprised of 13 external offices (several of which were
15 empty) and 14 sales cubicles with only five appearing to be used by Attorneys Processing
16 Center employees, and five more being used by Affiliate Elite Legal for sales calls. This
17 office appeared also to be set up for future expansion. Although he is the owner,
18 Defendant DiGirolamo only visits the office rarely. It is Defendant Bill Stephenson who is
19 in charge and runs the office on a day-to-day basis. Stephenson recently spent a good deal
20 of time in Florida assisting DiGirolamo in establishing a parallel operation there.

21 We could identify two functional uses of this space. First, Attorneys Processing
22 Center personnel were processing retainer payments from clients secured by Affiliates,
23 depositing those payments in Kramer’s bank account, and then sending out payments to
24 Affiliates. Second, two sales Affiliates were using the space for selling mass joinder cases
25 and managing their own sub-affiliates in some sort of loose multi-level marketing pyramid.
26 The first Affiliate, International Workflow, is run by Chris Fox and James Foti and is one
27 of the largest Attorneys Processing Center sellers – having received almost \$500,000 in
28 payments from Attorneys Processing Center. Both Fox and Foti have close business

1 relationships with Defendant DiGirolamo. Some employees identified Fox as
2 DiGirolamo's partner. Both Fox and Foti spend a great deal of time recruiting sales
3 Affiliates and have been devoted recently to setting up parallel operations in Florida.
4 Further investigation into Fox and Foti is essential going forward.

5 The second Affiliate on site is Elite Legal, owned and operated by Joe Korte, which
6 is again one of the larger Attorneys Processing Center sales Affiliates. Korte had a
7 telephone sales team operating in five of the cubicles. We learned that Korte's employees
8 were cold calling customers from lead lists while they waited for a mailer Korte had
9 arranged to hit consumers' mailboxes. We understand that the mailer hit at about the time
10 of the receivership and therefore the calls generated by these mailers were being missed
11 because of the shut down. Korte, too, merits further investigation.

12 Suite 400 also housed many of the same sales materials present in the Consolidated
13 Litigation Group office. We also found materials that further clarified the function of
14 Attorneys Processing Center and the role of Affiliate sellers operating out of Suite 400:

- 15 • Elite Legal Services Client Services Representative Training Packet with
16 appointment, script, presentation script, and Elite Phone List. This is a good
17 example of an Affiliate running its own down-line, in this case from the
18 offices of Attorneys Processing Center in Irvine. Appendix, Exhibit 16.
- 19 • Phone script for an "Intake Specialist," in this case identified with Ramba
20 Law Group based in Florida. Appendix, Exhibit 17.
- 21 • Processing packet for Kramer and Kaslow to guide the processor to move
22 the matter to litigation. Appendix, Exhibit 18.
- 23 • Kramer and Kaslow FAQs with Standard Selling Points and answers to
24 common questions. Appendix, Exhibit 19.
- 25 • Accounting notes from Attorneys Processing Center Accounting
26 Department which reflect the complexity of payment processing going out
27 to multiple Affiliates. Appendix, Exhibit 20.
- 28 • Broker payments summary from Accounting Office which underscores the

- 1 splitting of fees implemented by Attorneys Processing Center. Appendix,
2 Exhibit 21.
- 3 • QC Call Process sheet to guide processing with Attorneys Processing
4 Center after client has agreed to sign up. Appendix, Exhibit 22.
 - 5 • Accounting Department notes which confirm the labyrinth procedures
6 attendant to Affiliate payment processing. Appendix, Exhibit 23.
 - 7 • Email from Matthew Campbell, located in Bill Stephenson's office,
8 summarizing the current "pipeline" and the various "splits" owed.
9 Appendix, Exhibit 24.
 - 10 • Memo from Patrick Grom to Accounting identifying "Today's Pay."
11 Appendix, Exhibit 25.
 - 12 • List of Citibank deposits indicating the "Broker" (aka Affiliate) assigned to
13 each client. Appendix, Exhibit 26.

14 2. 2082 Business Center Drive, Irvine

15 After reviewing documentation provided by the current tenants and interviewing
16 the witnesses on site, we determined that this location was not an office of any Defendant
17 or the site of any activity covered by the Court's Orders. While at this site, we did,
18 however, receive information that Defendants Pate and Marier were now located at 2975
19 Red Hill Avenue in Costa Mesa, a site not identified in the Receiver Order. This led us to
20 inspect and ultimately take possession of that location as described below.

21 3. 2975 Red Hill Avenue, Costa Mesa

22 The Receiver Order, Paragraph 3f, at page 9, specifically directed me to seize all
23 premises that Non-Attorney Defendants are "using to conduct business operations that
24 relate to the unlawful activity alleged in the Complaint," including but not limited to their
25 premises identified in the Receiver Order. Although 2975 Red Hill is not identified in the
26 Receiver Order, once we had credible intelligence that it was a site covered by Paragraph
27 3f, members of my team proceeded to this Red Hill site.

28 Although the name on the door at this site is Kassas Law Group, we quickly

1 discovered that it was indeed a new headquarters of Defendants James Pate and Ryan
2 Marier and their entity Defendant Pate, Marier and Associates, who had previously
3 operated Defendant Mesa Law Group at the location on Airway Drive. (See below at page
4 18.) While Defendant Paul Petersen was the attorney attached to Mesa, Pate and Marier
5 have now re-grouped under the moniker Kassas Law Group with Kassas as the nominal
6 lawyer who appears to be more a figurehead than an owner. Kassas did, however, appear
7 to have his own small bankruptcy practice.

8 Based on our initial on-site reconnaissance of documents and personnel, we
9 determined that these premises were covered by the Court's Order as they were assets of
10 Defendant Mesa Law (which holds the lease on the premises) and were utilized by
11 Defendants Pate and Marier and Pate, Marier and Associates "to conduct business
12 operations that relate to the unlawful activity alleged in the complaint." Further, Kassas
13 and his law firm were acting in concert with named Defendants and thus subject to the
14 Court's Order. Lastly, the offices contained documents and assets belonging to the
15 receivership that needed to be preserved.

16 My counsel informed Kassas that at least a portion of the premises was being used
17 for operations covered by the Complaint and that the premises were a receivership Asset.
18 Kassas identified files he stated related to individual matters with upcoming deadlines and
19 took those originals files after leaving copies behind. He has been provided subsequent
20 access to obtain additional files.

21 Based on all the evidence we saw and/or heard on site, it appeared that Defendants
22 Pate and Marier were, in fact, in charge of the offices and that the office was heavily
23 involved in loan modifications – which they refer to as "ADR" – and mass joinder "sales,"
24 and other activities at issue in the Complaint. We have detailed all the evidence that led to
25 this conclusion in the Receiver's Declaration filed August 22, 2011 in response to an *ex*
26 *parte* application by Kassas to be lifted from the receivership. That application was denied
27 with prejudice at a hearing on August 22, 2011.

28 We present below a small sampling of the evidence we found at this site which

1 clearly indicated that this was not really a law firm, but primarily a sales company operated
2 by Pate and Marier who were selling illegal loan modification services generally as a
3 prelude to selling positions in a mass joinder case:

- 4 • A seating chart and office layout describing Pate as “CEO” and Marier as
5 the “President,” and identifying an office for Kassas. Appendix, Exhibit 27.
- 6 • Based upon the interviews conducted that day, we learned that there were
7 three “sales teams” and that at least 55 people in the sales department,
8 compared to only two attorneys on-site.
- 9 • Roughly 20 people were part of the “ADR” process in which they
10 completed the client intake process, scheduled “quality control” checks and
11 interviews, and researched records that could be used to further solicit
12 clients by persuading them that an examination of their records revealed a
13 strong case against a lender. Some “ADR” employees also appeared to be
14 involved in writing to lenders. The office had a policy of attempting to
15 “transition” ADR customers into litigation – at an additional charge – if the
16 lender did not respond to a written demand. To the extent it was not just
17 part of the mass joinder sales process, this ADR process was a loan
18 modification operation – and because advance fees were collected, an
19 unlawful operation.
- 20 • It appears that as many as 900 cases had been signed up for services
21 between March 21, 2011 and August 16, 2011. Each “ADR” client was
22 charged an upfront retainer (sometimes paid in monthly payments) that was
23 generally set at \$4,500. When clients were “transitioned” to litigation they
24 paid an additional \$1,750 plus \$300 month for litigation.
- 25 • Sales agents were paid commissions, although we have not confirmed if
26 they were paid by Kassas Law Group, Pate, Marier and Associates, or a
27 related entity.
- 28 • A poster found throughout the sales floor by “Pate, Marier and Associates

1 on behalf of The Law Offices of Anthony Kassas” touted a sales
2 “Executives Club” for those who brought in \$105,000.00 in net revenue and
3 45 signed units and a “Presidents Club” for those who brought in
4 \$85,000.00 in net revenue and 36 signed units. Appendix, Exhibit 28.

5 • A letter dated July 21, 2011 (we have redacted the client name) on the
6 letterhead of “The Law Offices of Anthony Kassas” stating that the client
7 was being transitioned to “Ramba Law Group LLC in association with The
8 Law Offices of Phillip A. Kramer and the Van Son Law Group” to become
9 a “plaintiff in a multi plaintiff litigation” and attaching a retainer to that
10 effect (also redacted to remove client specific information). Appendix,
11 Exhibit 29.

12 • A “Law Offices of Anthony Kassas ADR Flow Chart” that was located in
13 almost every office and cubicle in the premises that states that on Day 76 (if
14 the case was not resolved), staff were to “File to attorney to amend
15 complaint and add plaintiff” and “Collect final fee for litigation.”
16 Appendix, Exhibit 30.

17 • A telemarketing script from Mesa Law Group located in Jordan Pate’s
18 cubicle. Appendix, Exhibit 31.

19 • Emails between or copying Defendant Pate and Marier, and Kassas and
20 others with his “firm,” dated August 5-8, 2011, stating their intent to sign up
21 their new clients to a new “mass action” modeled on the “Ronald v. BofA”
22 case that is discussed in the Complaint. Appendix, Exhibit 32.

23 • An email from Denny Lake (who was supposed to be the “ADR Director”
24 for Kassas and who was formerly with Mesa Law Group), to Pate and
25 Marier, dated August 10, 2011, in which he notes that he knows that Pate
26 and Marier “want to push people out of the pipeline and into litigation,” but
27 stating that “there will be plenty of plaintiffs as time goes on and once we
28 have the Kassas cases filed and clients are automatically amended [into the

1 case]....” Appendix, Exhibit 33.

2 • An email chain (the version recovered thus far starts at page 2) between
3 Denny Lake, Pate, and Marier, dated August 10, 2011 concerning a letter to
4 be sent to clients who “believe they are in active negotiations” with their
5 lender telling them they will be joining litigation instead, and stating that
6 “[o]nce we have it set up so that everyone is eventually amended into the
7 Kassas complaint we can change this because it will be explained that way
8 from the beginning.” Appendix, Exhibit 34.

9 • An email chain that includes Denny Lake, Marier, Kassas, and an employee
10 from Petersen Legal Services’ “Home Retention Dept.,” dated August 15,
11 2011, regarding plans to file mass joinder litigation against “Chase, B of A,
12 Wells and possibly Indymac” as Kassas’ suits, and also referencing a
13 “Ramba or an old Lebron” retainer that needs to be “flipped.” Appendix,
14 Exhibit 35.

15 • An email chain dated August 2-3, 2011 that includes Pate, Kassas, and other
16 Kassas employees forwarding the “Ramba and Lebron Multi-plaintiff
17 Litigation Retainers” and noting that “[w]e are going to create one for
18 Kassas.” Appendix, Exhibit 36.

19 • An email chain dated July 5-7, 2011 between Pate and Kassas in which Pate
20 states: “Tony, After talking last week I think it is imperative that to stay
21 [the] course with our retainer agreement and transition all clients into
22 litigation.” Appendix, Exhibit 37.

23 • An email chain dated August 1, 2011 between Pate and Kassas in which
24 Pate advises Kassas how to respond if a potential client asks him whether
25 his offices are linked to Defendant Mesa Law. Appendix, Exhibit 38.

26 Additional emails recovered at the scene further demonstrate the nature of the
27 tactics used to motivate the three sales teams (which were divided into black, purple, and
28 green). Copies of these emails are collected at Appendix, Exhibit 39 and include

1 statements to members of the sales team (any capitalization is from the original) such as:

- 2 • “The stakes have been raised with a full team which means the best are
3 going to shine and those just getting by will be under the gun. Our goal is
4 150 units this month with \$400,000 in revenue!! Let’s get busy and set
5 some records this month Purple Team!!”
- 6 • “As a team we are behind the pace..... WAY behind the pace!! I need you
7 guys getting me some deals in this afternoon!”
- 8 • “WES JUST HIT \$47,750 IN REVENUE FOR THE MONTH AND IT IS
9 THE 9TH!!!! HE HAS NOW CROSSED INTO THE 30% TIER AND AS
10 OF NOW WITHOUT BONUSES HE HAS ALREADY MADE \$13,725
11 FOR THE MONTH OF AUGUST!!”
- 12 • “I want to hear that second call script being recited this afternoon and some
13 retainers going out!! Let’s make some money today!!”
- 14 • “”The Law Offices of Anthony Kassas is growing and it is because of you
15 that it is happening. You are our life’s blood.... We are on pace to hit 300
16 deals this month BUT 300 is not good enough we have been there and done
17 that. We need to reach 350 deals this month. ...”Be determined today, Get
18 a client to say yes.... I want a huge day today. There is no reason we
19 cannot do 30 deals today.”
- 20 • “It’s too quiet in here people. Let’s get some movement, who’s a [sic] got a
21 deal for me?” (bold omitted).
- 22 • “Wake up team!! Don’t you guys like making money? I need animals on
23 this team who will stop at nothing to close a deal WHERE
24 YOU AT?”

25 4. 1800 East Garry Avenue, Santa Ana

26 This site is home to a drab and poorly-equipped, but profitable, office for Home
27 Litigation Help a *dba* of Defendant Michael Tapia (“Tapia”). The offices occupy
28 approximately 800 square feet in two suites (203 and 207) with eight employees and one

1 manager (Tapia's mother). Two employees and the manager were absent at the time of our
2 arrival. An office was also occupied by Melanie Diana, who represented that she worked
3 for the Law Offices of Kramer and Kaslow, but was paid weekly by Defendant Attorneys
4 Processing Center.

5 This facility appeared to be a pure inbound call center with inbound calls driven by
6 mailers sent to homeowners. One staffer reported that the return rate on mailers was about
7 2% and that call backs were presently low because they were between mailers, due in part
8 to a dispute between Tapia and Kramer as to mailer content.

9 Once the call landed, the goal was clear -- sell. The immediate "Phase 1" product
10 was a loan audit, priced at \$2,350, to determine if the homeowner was "eligible" for
11 litigation. This so-called audit was performed by entering basic loan information into a
12 computer program called "Compliance Ease." If the audit revealed potential violations, the
13 homeowner was deemed "eligible" for "Phase 2" -- for an additional \$1,650, and other fees
14 later, they could now become a plaintiff in the mass joinder lawsuit.

15 For convenience, Ms. Diana, the Kramer and Kaslow operative actually paid by
16 Attorneys Processing Center, was on-site to immediately send out a retainer agreement and
17 coordinate payment of the \$1,650 to Kramer and Kaslow, either by check or ACH
18 payment.

19 Based on a Sales Summary White Board on-site, it appears that this Tapia office
20 closed 621 consumers for the period January through July 2011, which would translate to
21 \$1.4 million in gross revenues. From this, Tapia paid his telemarketers 25% (28% if the
22 homeowner paid in full with one payment) and 5% to his manager/mother.

23 We found evidence that this operation was linked to multiple other Defendants and
24 was deploying the full gamut of sales techniques:

- 25 • "New Terms" list indicating new and improved labels to replace Forensic
26 Audit (now "Mortgage Compliance Review"), Kramer and Kaslow (now
27 "Consolidated Litigation Group"), and mass joinder litigation (now
28 "Consolidated Plaintiff Litigation"). Appendix, Exhibit 40.

- 1 • Home Retention Division 100% money-back guarantee. Appendix,
2 Exhibit 41.
- 3 • Home Retention Division Client Fee Contract showing \$2,350 for Phase 1
4 mortgage compliance review and \$1,650 Phase 2 submission to
5 Consolidated Litigation Group. Appendix, Exhibit 42.
- 6 • ACH approval form for payments to Home Litigation Help. Appendix,
7 Exhibit 43.
- 8 • Home Retention Division phone list -- one with no letterhead and one on
9 letterhead of the Law Offices of Christopher J. Van Son. Appendix,
10 Exhibit 44.
- 11 • Internal invoice report showing commissions of \$1,175 paid on client
12 payment of \$1,475. Appendix, Exhibit 45.
- 13 • Table of contents of Kramer and Kaslow documents. Appendix, Exhibit 46.
- 14 • "Dear Potential Client" letter on Home Retention Division letterhead
15 thanking client for contracting Kramer and Kaslow. Appendix, Exhibit 47.
- 16 • Email from Santa Ana manager Darcy Ratkay to Ken Kroening, Sr.
17 Litigation Advisor, approving his form letter to clients that recites, "glad I
18 could introduce you to the Plaintiff Litigation Lawsuit." Appendix,
19 Exhibit 48.
- 20 • Sales script alerting consumer that they "may become a plaintiff in our
21 ongoing National Plaintiff Litigation case." Appendix, Exhibit 49.
- 22 • Sales script -- same as script found at Defendant Tapia's Culver City site
23 (described below). Appendix, Exhibit 50.
- 24 • Form emails used by Melanie Diana to secure retainer agreement.
25 Appendix, Exhibit 51.
- 26 • "Attorney Information Regarding the Joint Plaintiff Lawsuit" identifying
27 Christopher Van Son as the intake attorney. Appendix, Exhibit 52.
- 28 • Consolidated Litigation Group summary of consolidated plaintiff lawsuits.

1 Appendix, Exhibit 53.

2 5. 5855 Green Valley Circle, Culver City

3 This site is headquarters for Tapia's Los Angeles office which operates as "Home
4 Retention Division." The office consisted of five areas: (a) a large office to the right for
5 the manager; (b) a smaller entry office with three telephone sales cubicles; (c) an interior
6 office with one desk and a number of DSL/computer lines; (d) a larger back office with
7 three sales cubicles; and (e) a kitchen area. Seven employees were present at the start.
8 One additional employee arrived later.

9 This site has been in operation for about 18 months. The business here is a mirror
10 image of Tapia's Home Litigation Help business in Santa Ana -- staffers receive inbound
11 calls driven by mass joinder mailers; the Phase 1 product is a \$2,350 loan audit paid to
12 Tapia; for those deemed eligible, Phase 2 is plaintiff status in a Kramer mass joinder case
13 for \$1,650, paid to Kramer; sales personnel are paid commission on Phase 1 sales; the
14 actual loan audit processing is done through the Santa Ana office in coordination with
15 Darcy (Tapia's mother), the on-site manager in Santa Ana.

16 Additional information located at this site included:

- 17 • Talking points for sales personnel identified Consolidated Litigation Group
18 as "a law firm" and touted the recent successes of its "lawyers" and claimed
19 that the consumer received a mailer because attorneys "had reviewed your
20 docs for fraud." Appendix, Exhibit 54.
- 21 • Email from on-site manager Hector Almanza providing a simplified
22 summary of the mass joinder causes of action. Appendix, Exhibit 55.
- 23 • Script materials for the non-attorney sales team with selling points.
24 Appendix, Exhibit 56.
- 25 • Individualized handwritten script from a sales cubicle that commences, "We
26 are a law firm." Appendix, Exhibit 57.
- 27 • A combo "Phone List" that identifies the Law Offices of Christopher Van
28 Son as the "Litigation Processing Service" and includes contact information

1 for Kramer and Kaslow and Melanie Diana who is the Kramer operative on
2 site in Tapia's Santa Ana office. Appendix, Exhibit 58.

3 • Email from manager Hector Almanza pitching mass joinder to a consumer
4 complaining that he received no value from his forensic audit. Appendix,
5 Exhibit 59.

6 6. 3151 Airway Avenue, Costa Mesa

7 Since the State Bar had identified this site as the location of an Attorney Defendant
8 (Paul Petersen), we waited until approximately 12:45 p.m. to investigate this site in order
9 to give the State Bar time to complete its task. When we arrived, the State Bar had taken
10 possession of all client files and other papers.

11 The name on the door was Petersen Legal Services. Petersen was present along
12 with five employees. One employee was a young attorney who was working as a contract
13 attorney on bankruptcy/fraudulent foreclosure cases. There also were two bankruptcy
14 processors (one of whom identified Mesa Law Group as his employer), an office manager
15 who handled accounting, and one "home retention" manager who set appointments,
16 answered telephone calls, and monitored sale dates.

17 Petersen was nominally cooperative and advised us that he no longer had any
18 involvement with Mesa Law Group. But, a "phone list" at the reception desk and in every
19 office identified contact information for "Mesa," "Kramer and Kaslow," and "Kramer
20 Law." We did not find any scripts or other documents directly referring to mass joinder
21 litigation, but we have not reviewed the documents secured by the State Bar.

22 We did note that the office furniture, telephone system, MP3 voice recorders, and
23 computer equipment were an exact match for the same furniture and equipment on site at
24 the Red Hill site, all sourced from the same vendor. We also learned that the accountants
25 for Pate, Marier and Associates and other Defendants were located in a different suite at
26 this site.

27 7. 895 Dove Street, Newport Beach

28 We learned that Defendants Mitigation Professionals and Glen Reneau occupied

1 this two-room space from approximately March, 2009 through March, 2010, but had
2 moved out in March 2010.

3 8. 151 Kalmus Drive, Costa Mesa

4 Defendant Mitigation Professionals and its principal Defendant Glen Reneau are
5 located at this site. Mitigation Professionals has a lease on 500 square feet in Suite 210,
6 which has three offices and a conference room, and houses three employees other than
7 Reneau. Six employees occupy cubicles in Suite 101 downstairs under a sublease with
8 another business.

9 At this time, Mitigation Professionals is a modest operation. It does not appear to
10 presently be involved in selling the mass joinder business of Defendants, although it
11 continues as the "client support" subcontractor on approximately 700 Kramer mass joinder
12 clients -- as to those, Mitigation Professionals has further subcontracted them out to another
13 entity, Neighborhood Home Relief. Mitigation Professionals is now representing another
14 player in the mass joinder universe -- United Foreclosure Attorneys Network ("UFAN").
15 UFAN appears to be yet another entrant in the mass joinder "opportunity," but we have not
16 seen any direct link to the activities covered by the Complaint or the Court's Orders.

17 The six employees downstairs are processing loan modifications for approximately
18 100 remaining homeowner clients, most of whom are remaining inventory of modification
19 clients secured by Kramer.

20 Reneau is a veteran of the home mortgage business, having done direct sales for a
21 lender for ten years. Like many others, when home loans dried up, he gravitated to the
22 loan modification business, a business that included loan modification processing for
23 attorneys and law firms, including Kramer and Kaslow. This staff appeared to be making
24 diligent efforts to submit modification applications to, and follow up with, lenders. We
25 saw no immediate evidence that these or prior loan modification clients were targets of a
26 mass joinder sales pitch.

27 In October, 2010, Reneau was approached by Kramer and Stein with a new "big"
28 opportunity in the mass joinder cases which they promoted as the vehicle for consumers to

1 "get back" at the banks. At a meeting in October 2009, Stein told Reneau and others to
2 "go out there and get all people with Bank of America loans into the [Ronald] case."

3 Thereafter, Mitigation Professionals appeared to function as an Affiliate manager
4 and was paid a per file fee to handle client support functions for designated mass joinder
5 plaintiffs. In one of many efforts to disguise fee-splitting, Kramer paid Mitigation
6 Professionals \$4,000 per file as to any mass joinder plaintiffs who signed on through
7 Affiliates linked to Reneau – Mitigation Professionals kept \$1,000 of that for its client
8 support function and remitted \$3,000 per file to the designated sales Affiliate.

9 Reneau and his staff have been cooperative from the outset. He executed a
10 declaration describing his interactions with Stein and Kramer when they sold the mass
11 joinder "big idea" to him. Appendix, Exhibit 72. We are jointly working with Reneau to
12 return all remaining loan modification files to the State Bar as Kramer legal files and to
13 also tender to the State Bar the client support functions assigned to Mitigation
14 Professionals on some 700 Kramer mass joinder clients.

15 9. 6345 Balboa Boulevard, Encino

16 This site is the home of The Law Offices of Christopher J. Van Son and Van Son
17 Law Group *dba* Consolidated Litigation Group. We entered this site along with
18 representatives of the State Bar, who took possession of The Law Offices of Christopher J.
19 Van Son law practice.

20 This site combined Attorney Defendant and Non-Attorney Defendant parties and
21 activities. The Attorney Defendant aspect – The Law Offices of Christopher J. Van Son –
22 appeared to be a smaller law practice focused on loan modification, eviction defense, small
23 bankruptcies, and general debt relief. In addition to Van Son, the staff of the small legal
24 practice included one associate attorney, a paralegal, and four to seven non-attorney case
25 analysts who handled inbound phone calls that were driven by limited marketing via radio
26 ads, purchased leads, and some mailers aimed at consumers behind on their mortgages or
27 credit cards. The case analysts utilized scripts similar to those used by the Affiliates and
28 received commissions or consulting fees on client intake. These analysts would

1 occasionally refer clients to Kramer's mass joinder suits.

2 J. Robert Berrellez, a licensed real estate broker and former owner of a loan
3 mitigation provider, was also officed at this site and worked on his own business and in
4 conjunction with the Law Offices of Christopher J. Van Son and Consolidated Litigation
5 Group. Berrellez had several independent contractors assisting him with Consolidated
6 Litigation Group's business. Some space was also sublet to another attorney who managed
7 his own practice.

8 The Non-Attorney Defendant aspect of this site revolves around Consolidated
9 Litigation Group, a *dba* adopted circa May 2011. Consolidated Litigation Group was
10 activated after Van Son and Berrellez were approached by Defendant Kramer. Kramer
11 explained that he needed to "clean up" and upgrade the Affiliate management aspect of his
12 mass joinder business, preferably through an attorney. Previous efforts at Affiliate
13 management and control – through the Mass Litigation Alliance and DiGirolamo – were
14 apparently unsatisfactory.

15 Consolidated Litigation Group's function was to process documents and retainer
16 fees generated by mass joinder clients secured by Affiliates. Documents would be posted
17 to a paperless CRM system. Retainer payments would be processed by ACH payments run
18 through Consolidated Litigation Group's vendor or checks deposited to Consolidated
19 Litigation Group's or Kramer's bank account. Consolidated Litigation Group was to be
20 paid \$250 per file, reduced to \$50 for some Affiliates. For his part, Van Son received \$150
21 per file for his "client support" role. Van Son's responsibility was to answer questions – or
22 have another attorney answer questions – prior to a client submitting a retainer. After a
23 retainer was returned, the responsibility shifted to Kramer's office. It is unclear at this
24 point whether Van Son conducted any "client support" for his fee or whether it was simply
25 a fee for lending his name to the endeavor.

26 After taking Van Son's fees, Consolidated Litigation Group was then to disburse
27 the remainder as "marketing fees" to the Affiliates and others. The primary recipient of
28 these fees was Defendant Data Management, a DiGirolamo entity, which would then fund

1 a portion to Kramer and a portion to Attorneys Processing Center for operating expenses.
2 For Tapia clients, the arrangement was different as Tapia was paid \$2,350 directly by the
3 consumer for the Phase 1 loan audit. For Phase 2, \$1,650 was paid to Consolidated
4 Litigation Group which they remitted to Kramer, less \$50.

5 The Consolidated Litigation Group arrangement floundered from the outset. It had
6 difficulty securing a bank merchant account and was subject to an internal account freeze
7 by its bank due to irregular activities. Several enterprising Affiliates, particularly Tapia,
8 launched their own websites to "ghost" the real Consolidated Litigation Group website and
9 opened bank accounts using the Consolidated Litigation Group name. The level of activity
10 never reached the 400 files per month that Kramer had projected and promised Van Son.
11 Rather, the activity was more in the range of 40-50 files per month.

12 Consolidated Litigation Group also performed "special campaigns" for Kramer.
13 For example, when a Florida-based mass joinder attorney (Kragger) put a hold on all
14 Kramer retainer funds and started up his own mass joinder business with Kramer clients,
15 Consolidated Litigation Group was paid \$250 per file to retrieve these clients and
16 encourage them to "charge back" on their credit cards and ACH.

17 In the end, Consolidated Litigation Group was an ill-conceived and poorly
18 implemented attempt to control the Affiliates and conceal the fee-splitting between Kramer
19 and his non-attorney sellers. The name Consolidated Litigation Group, however, was later
20 incorporated into the sales activities run by the Grom brothers at Suite 455 at the 30
21 Corporate Park, Irvine site.

22 A quick review of documents on-site confirmed Consolidated Litigation Group's
23 sales role. Some of the materials located at the Encino office included:

- 24 • Litigation Retainers flow chart showing intake procedures and retainer
25 splits. Appendix, Exhibit 60.
- 26 • Mass joinder case description posted on a sales cubicle. Appendix,
27 Exhibit 61.
- 28 • Lender Litigation transmittal letter from Van Son Law Group and

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Consolidated Litigation Group. Appendix, Exhibit 62.

- “Main Floor Script.” The “close” section seeks to create urgency by telling consumers that “ONLY those who are able to file in time will see any recovery from the banks Most lenders have already settled with the attorney general in all states, so the large private cases like ours will be the next to settle.” Appendix, Exhibit 63.
- Copy of newspaper article or press release regarding “Kramer Law: Unprecedented Lawsuit....” Appendix, Exhibit 64.
- November, 2010 promotional package from Kramer and Kaslow and Mitchell J. Stein regarding six new mass joinder litigation cases with Van Son contact information at the back. Appendix, Exhibit 65.
- Handwritten script notes at sales cubicle with the following call tips: (1)“Identify Urgency, Take Control of the Call. You are calling to help them out. Put emphasis on Law Group.”; (2) “Second Call – chat, great news – we can take your case.”; (3)“Pre-Lit buys time to save for full retainer. Need \$2,000 to start your pre-lit.” Appendix, Exhibit 66.
- Another handwritten script that recommends: “Listen – take away as much as possible. Ask open-ended questions. Get lead engaged. Get them excited – Dangle the Carrot!” Appendix, Exhibit 67.

10. 280 South Beverly Drive Suite 416, Beverly Hills

The Receiver Order identifies this location as a possible site for Defendant Michael Tapia’s businesses operating as Home Retention Division or Customer Solutions Group. Our team quickly learned, however, that this was a matter of mistaken identity as the business actually on site has no link to Defendants or the mass joinder cases and is in an entirely unrelated business. The only connection was that this business had previously occupied space now occupied by Tapia and his businesses in Culver City.

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1 11. 3972 Barranca Parkway J620, Irvine and 27890 Clinton Keith Road
2 D 467, Murrieta

3 These two sites are not office buildings or sites of any operating business, but are
4 mail postal annex operations which offer private "mail boxes." The Barranca site housed
5 such a mail box for Defendant DiGirolamo and his related entities. The Clinton Keith
6 site housed a mail box for Lewis Marketing, Clarence Butt, and Thomas Phanco. As to
7 both, we served the appropriate orders and placed instructions to re-direct any incoming
8 mail to the Receiver's office.

9 12. Defendants Clarence Butt, Tom Phanco, and Lewis Marketing

10 On August 19, 2011, we interviewed Defendants Butt and Phanco who had
11 operated Defendant Lewis Marketing, a sales Affiliate in the Reneau stable. At the time of
12 the receivership, they had ceased selling the Kramer mass joinder product, but were
13 gearing up to work again with Reneau to sell another mass joinder opportunity through
14 UFAN. At the time we met them, they did not have an office but were working out of their
15 homes.

16 Defendants Butt and Phanco claim to have brought in between 60-70 mass joinder
17 clients through their office's sales efforts. They also claim that they quit selling Kramer's
18 mass joinder cases after they were visited by a State Bar investigator in approximately
19 April of this year.

20 We found both Butt and Phanco credible in their explanations of the events, the
21 sales process, and the players. We have not yet reviewed their office records but intend do
22 so in the near term. Both gentlemen were also very cooperative, even agreeing to provide
23 a declaration regarding their initial meeting with Stein and Kramer. See Appendix,
24 Exhibits 68 and 69.

25 **B. Bank Accounts**

26 Beginning August 17, 2011, we served the TRO/Asset Freeze on banks where
27 Defendants were known to have accounts or credit card merchant accounts. The
28 following accounts have been frozen:

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Bank	Account Name	Account No.	Frozen Account Balance
Bank of America	Attorneys Processing Center	Ending in 4454	\$1,512.48
Bank of America	Attorneys Processing Center	Ending in 5605	\$756.87
Bank of America	Driving Force Enterprises, Inc.	Ending in 3698	\$1,000.92
Bank of America	Driving Force Enterprises, Inc.	Ending in 7315	\$157,618.37
Bank of America	Driving Force Enterprises, Inc. [Marier and Pate, Marier and Associates, Inc.]	Ending in 3003	\$146,912.76
Bank of America	Driving Force Enterprises, Inc. dba Lawyers Processing Center	Ending in 6952	\$971.64
Bank of America	Driving Force Enterprises, Inc. dba National Debt Management [Pate, Marier and Associates, Inc.]	Ending in 9234	\$1,850.75
Bank of America	Marier, Monica D.	Ending in 0193	\$202.75
Bank of America	Marier, Monica D. Marier, Ryan W.	Ending in 3620	\$597.97
Bank of America	Marier, Monica D. Marier, Ryan W.	Ending in 7541	\$7,078.51
Bank of America	Marier, Ryan W.	Ending in 4797	\$791.56
Bank of America	Mesa Law Group Corp.	Ending in 5578	\$1,158.15
Bank of America	Mesa Law Group Corp.	Ending in 4024	\$41.91
Bank of America	Pate, Marier and Associates, Inc. dba National Home Advocacy Group	Ending in 2394	\$17,639.32
Bank of America	Petersen Legal Services	Ending in 5626	\$555.41
Bank of America	Real Estate Wealth Institute LLC	Ending in 3862	\$3,354.07

	Bank	Account Name	Account No.	Frozen Account Balance
1				
2				
3	Bank of America	Real Estate Wealth Institute LLC dba The Wealth Institute	Ending in 9985	\$3,576.84
4	Bank of America	Stein, Mitchell J., Debtor in Possession	Ending in 9873	-\$14.10
5	Citibank	247247, Inc.	Ending in 6202	\$16,975.81
6	Citibank	247247, Inc.	Ending in 3629	\$100.00
7		247247, Inc., dba Consolidated Litigation Group		
8	Citibank		Ending in 3645	\$1,889.00
9	Citibank	247247, Inc., dba Van Son Law Group	Ending in 3652	\$1,350.00
10	Citibank	Attorneys Processing Center	Ending in 3644	\$0.00
11		Attorneys Processing Center		
12	Citibank		Ending in 3644	\$0.00
13	Citibank	Kramer, Philip A.	Ending in 4317	\$15,152.90
14	Citibank	Kramer, Philip A.	Ending in 4325	\$100.07
15	Citibank	Kramer and Kaslow	Ending in 3768	\$135,140.41
16	Citibank	The Law Offices of Kramer and Kaslow	Ending in 3578	\$147,288.45
17	Citibank	Lewis Marketing Corp.	Ending in 9619	\$0.00
18	Citibank	Lewis Marketing Corp.	Ending in 5262	\$0.00
19	Citibank	Mesa Law Group	Ending in 6521	\$0.00
20	JP Morgan Chase	Stephenson, Bill	Ending in 7373	\$7,736.83
21	JP Morgan Chase	Stephenson, Bill	Ending in 9888	\$170,039.28
22	JP Morgan Chase	Butt, Clarence J. Butt, Lisa R	Ending in 8381	\$275.28
23	JP Morgan Chase	Butt, Clarence J. Butt, Lisa R	Ending in 0669	\$910.23
24	JP Morgan Chase	Butt, Clarence J. Butt, Lisa R	Ending in 3499	\$334.41
25	JP Morgan Chase	Kramer and Kaslow Trust Account	Ending in 3889	\$0.00
26	JP Morgan Chase	Lewis Marketing Group	Ending in 2365	\$1,273.85
27	JP Morgan Chase	Lewis Marketing Group	Ending in 8688	\$6.00
28	JP Morgan Chase	Mesa Law Group Corp.	Ending in 9016	\$2,830.04
29	JP Morgan Chase	Pate, James E. Pate Pate, Rebecca	Ending in 6417	\$4,959.00
30	JP Morgan Chase	Pate, James E. Pate Pate, Rebecca	Ending in 9189	-\$34.00

	Bank	Account Name	Account No.	Frozen Account Balance
1				
2				
3	JP Morgan Chase	Pate, Marier and Associates, Inc., <i>dba</i> Trust Docs	Ending in 4049	\$64.00
4				
5	JP Morgan Chase	Pate, Marier and Associates, Inc., <i>dba</i> Trust Docs	Ending in 8108	\$48,128.09
6	JP Morgan Chase	Petersen, Paul W.	Ending in 7093	\$123.84
7	JP Morgan Chase	Phanco, Thomas D. Phanco, Victoria	Ending in 7026	\$104.65
8	JP Morgan Chase	Stein, Mitchell J.	Ending in 5596	\$0.00
9				
10	JP Morgan Chase	Stein, Mitchell J. <i>dba</i> Mitchell Stein and Associates	Ending in 7268	\$0.00
11	JP Morgan Chase	Tapia, Michael A.	Ending in 0882	\$0.00
12	Ojai Community Bank	Van Son, Christopher John <i>dba</i> Consolidated Litigation Group		\$844.57
13				
14	Ojai Community Bank	Van Son, Christopher John <i>dba</i> Law Offices of Christopher John Van Son		\$78.86
15				
16	Ojai Community Bank	Van Son, Christopher John <i>dba</i> Van Son Law Group		\$22.40
17				
18	PNC Bank	Attorneys Processing Center LLC	Ending in 5941	\$3,065.94
19	PNC Bank	DiGirolamo and Data Management, LLC	Ending in 5968	\$139,784.90
20	PNC Bank	Litigation Law LLC	Ending in 5802	\$25,913.18
21				
22	PNC Bank	The Law Offices of Kramer and Kaslow, Professional Corp.	Ending in 5538	\$53,779.11
23				
24	PNC Bank	The Law Offices of Kramer and Kaslow, Professional Corp.	Ending in 5546	\$5,090.00
25				
26	PNC Bank	The Law Offices of Kramer and Kaslow, Professional Corp.	Ending in 5554	\$10,090.00
27	Premier Commercial Bank	Attorneys Processing Center	Ending in 6765	\$1,347.05
28	Premier Commercial Bank	Data Management, LLC	Ending in 6776	\$122,606.76

	Bank	Account Name	Account No.	Frozen Account Balance
1	Union Bank	Quantum Law Firm	Ending in 0801	\$153.00
2	Union Bank	Quantum Law Firm	Ending in 0828	\$26.02
3	Union Bank	Quantum Law Firm (Attorneys Processing Center)	Ending in 2909	-\$1,748.63
4	US Bank	Consolidated Litigation Group	Ending in 4834	\$21,884.48
5	US Bank	Consolidated Litigation Group	Ending in 6509	\$98,537.99
6	US Bank	Data Management	Ending in 3724	\$100.00
7	US Bank	Kramer, Philip	Ending in 0639	\$4,446.74
8	US Bank	Kramer, Philip	Ending in 5758	\$225.00
9	US Bank	Kramer, Philip	Ending in 9349	\$54.11
10	US Bank	Kramer, Philip; Law Office of Kramer & Kaslow	Ending in 2098	\$0.00
11	US Bank	Pate, James	Ending in 9752	\$5,339.51
12	US Bank	Reneau, Glen	Ending in 3433	\$0.00
13	US Bank	Tapia, Michael A.	Ending in 9553	\$219.32
14	US Bank	Tapia, Michael A.	Ending in 6606	\$0.00
15	US Bank	Tapia, Michael A.	Ending in 3342	\$0.00
16	US Bank	Tapia, Michael A.	Ending in 6125	\$0.00
17	US Bank	Tapia, Michael A.	Ending in 6136	\$0.00
18	US Bank	Tapia, Michael A.	Ending in 6940	\$0.00
19	US Bank	Tapia, Michael A.	Ending in 8315	\$10.86
20	US Bank	Tapia, Michael A.	Ending in 8927	\$0.00
21	US Bank	Van Son, Christopher; Law Office of Christopher Van Son	Ending in 4768	\$0.00
22	US Bank	Van Son, Christopher; Law Office of Christopher Van Son	Ending in 4776	\$22,138.93
23	Wells Fargo Bank	Bristol Cove LLC	Ending in 0824	\$0.00
24	Wells Fargo Bank	HLH Group LLC	Ending in 7012	\$205.23
25	Wells Fargo Bank	HLH Group LLC	Ending in 3038	\$91.96
26	Wells Fargo Bank	HLH Group LLC	Ending in 9612	\$605.83
27				
28				

	Bank	Account Name	Account No.	Frozen Account Balance
1				
2	Wells Fargo Bank	HLH Group LLC	Ending in 4030	\$395.58
3				
4	Wells Fargo Bank	JR Bray Group LLC <i>dba</i> Shelter Financial Group	Ending in 1991	\$140.00
5	Wells Fargo Bank	Kramer, Jonathan D. Kramer, Philip A.	Ending in 5998	\$135.34
6	Wells Fargo Bank	Kramer, Jonathan D. Kramer, Philip A.	Ending in 1772	\$110.01
7	Wells Fargo Bank	Kramer, Matthew R. Kramer, Philip A.	Ending in 3945	\$682.12
8	Wells Fargo Bank	Kramer, Matthew R. Kramer, Philip A.	Ending in 9107	\$100.01
9	Wells Fargo Bank	Kramer, Philip A.	Ending in 5146	\$15,000.00
10	Wells Fargo Bank	Kramer, Philip A.	Ending in 6429	\$10,000.00
11	Wells Fargo Bank	Kramer, Philip A. Kramer and Kaslow	Ending in 9256	\$54,628.00
12	Wells Fargo Bank	Kramer, Philip A. Kramer, Kerry E.	Ending in 0895	\$198.60
13	Wells Fargo Bank	Kramer, Philip A. Kramer, Kerry E.	Ending in 2958	\$6,712.63
14	Wells Fargo Bank	Kramer, Philip A. Pan, Jennifer N.	Ending in 3642	\$1,320.03
15	Wells Fargo Bank	Mitchell J. Stein & Associates LLP	Ending in 5426	\$60.00
16	Wells Fargo Bank	Mitchell J. Stein & Associates LLP	Ending in 5566	\$560.27
17	Wells Fargo Bank	Mitchell J. Stein & Associates LLP	Ending in 9248	\$14,940.55
18	Wells Fargo Bank	Mitchell J. Stein & Associates LLP	Ending in 9255	\$1,129.43
19	Wells Fargo Bank	Mitchell J. Stein & Associates LLP	Ending in 9263	\$12,062.34
20	Wells Fargo Bank	Mitigation Professionals LLC	Ending in 1281	\$70,014.64
21	Wells Fargo Bank	Mitigation Professionals LLC <i>dba</i> Legal Support Service	Ending in 8434	\$43,951.85
22	Wells Fargo Bank	Mitigation Professionals LLC <i>dba</i> Legal Support Service	Ending in 4350	\$1,985.00
23	Wells Fargo Bank			
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Bank	Account Name	Account No.	Frozen Account Balance
Wells Fargo Bank	Reneau, Glen	Ending in 9739	\$465.79
Wells Fargo Bank	Reneau, Glen Reneau, Ashley	Ending in 7522	\$1,436.74
Wells Fargo Bank	Reneau, Landon B., a minor by Glen Reneau or Ashley M. Reneau	Ending in 0757	\$175.10
Wells Fargo Bank	Stein, Mitchell J., Debtor In Possession	Ending in 4194	\$123.93
Wells Fargo Bank	Stein, Mitchell J., Debtor In Possession	Ending in 3274	\$419.01
Wells Fargo Bank	Stein, Mitchell J., Debtor In Possession	Ending in 3415	\$314.20
Wells Fargo Bank	Stein, Mitchell J., Debtor In Possession	Ending in 6967	\$1,100.68
Wells Fargo Bank	Stein, Mitchell J., Debtor In Possession	Ending in 7168	\$449.09
Wells Fargo Bank	Van Son, Chris, Attorney at Law IOLTA	Ending in 7712	\$2,169.57
Wells Fargo Bank	Van Son, Christopher	Ending in 4939	\$71.02
Wells Fargo Bank	Van Son, Christopher J.	Ending in 1092	\$0.00
Wells Fargo Bank	Van Son, Christopher J., Esq.	Ending in 4414	-\$15.00
Wells Fargo Bank	Van Son, Christopher; Van Son, Christopher J.	Ending in 1079	\$0.00
Wells Fargo Bank	Van Son, Sarah D. Van Son, Christopher J.	Ending in 0964	\$0.00
		TOTAL	\$1,656,103.97

Other than the money in these accounts, Receivership Defendants do not appear to have substantial other liquid assets, but our investigation as to assets is still in its preliminary stages.

C. Interviews

With some notable exceptions, in general the employees at each site cooperated, completed a brief questionnaire and were excused for the day. Many remained or returned later in the day for further interviews.

1 above regarding the Non-Attorney aspects of Van Son's law practice.

2 We do note that while both Defendants Kramer and Stein were the most active
3 and visible attorneys in the mass joinder universe, it appears that sometime after
4 February, 2011 Stein *de facto* withdrew or was displaced from the front lines. The exact
5 circumstances relating to his changing role are not our immediate concern.

6 **B. Non-Attorney Defendants**

7 Given our conclusion that, as a team, these Defendants (Attorneys and Non-
8 Attorneys) were really involved in a sales operation, one intriguing issue is whether the
9 salesmen recruited the attorneys or vice versa.

10 We now know that in the Fall of 2009, Reneau and DiGirolamo, who were already
11 deep in the loan modification business, placed a Craigslist ad for a modification attorney.
12 Kramer answered the ad. In his response, he was blunt: "I want to 'own and manage a loan
13 modification practice' . . . I have neither the time nor the resources to market loan mod
14 clients. I would love to step into a 'turn key' operation. Can you help me? Can we help
15 each other? I know that I can help you attract more clients, we can better serve those
16 clients, and we can all make more money." *See* Appendix, Exhibit 70 at p. 2.

17 In the email discussion which followed between DiGirolamo and Reneau about
18 whether to interview Kramer, DiGirolamo and Reneau, too, are blunt and to the point.
19 DiGirolamo comments that Kramer is no Kelly Ryan (apparently another attorney they
20 were using at the time), "Not that the client or broker can tell the difference [and] I would
21 rather he own a LLC with a name we can brand . . Gulf + Western Law Group, LLC etc."
22 *Id.* at p.1. In response Reneau states, "I agree that a client or broker can't tell the
23 difference since none of them ever go to his office. But if he is whoring himself out on
24 craigslist [sic] he could be attracting some unsavory operators and I don't want to be
25 connected to them via association." They decided to interview Kramer and DiGirolamo
26 noted that "If you and I are giving him 200+ per month . . He'll be busy." *Id.* The three
27 began to work together on loan modifications shortly thereafter.

1 Fee-splitting among Kramer and DiGirolamo and Reneau seems to have been
2 common and discussed openly between the parties. For example, when Reneau was
3 thinking of bringing in a "New Potential K+K Outfit" to sell loan modifications to
4 Hispanic targets, he explained in an email to Kramer that "I was thinking you would
5 charge them \$500 per file and keep the standard \$200. I would charge \$200 to cover the
6 cost of doing their accounting and give [the seller] \$100 as a finder/loyalty fee." *See*
7 Appendix, Exhibit 71, at p. 2.

8 Based upon a sworn declaration of Reneau, the idea of selling mass joinder was
9 first raised to him by Kramer and Stein about one year after he and Kramer began working
10 together, in October of 2010. *See* Appendix, Exhibits 72 and 73. The initial targets of the
11 mass joinder pitch were the loan modification clients that Reneau had obtained for Kramer
12 in the previous year that they had been working together.

13 Both Stein and Kramer put on a presentation for Reneau, others in his office, and
14 Defendants Butt and Phanco about selling places in the mass joinder litigation. Butt and
15 Phanco have also filed declaration concerning the Stein-Kramer presentation. *See*
16 Appendix, Exhibits 68 and 69. The two attorneys explained they intended to partner to
17 pursue additional mass joinder cases. Stein played the lead role in the presentation and in
18 the weeks which followed played an active role in working with Reneau in establishing
19 pitch points. *See* Appendix, Exhibit 72.

20 While the attorneys might appear to be an indispensable part of this business, the
21 Non-Attorney Defendants and their Affiliates were the drivers of growth and revenues.
22 They appeared to perform all the key functions other than drafting the Complaint:

- 23 1. Affiliate Management and Control. The field generals of the
24 business were the non-attorney client support operators DiGirolamo, through his
25 companies Data Management or Attorneys Processing Center, and Reneau, through
26 Mitigation Professionals. They were the two primary platforms for the Kramer and
27 Stein mass joinder sales. They established, recruited, and coordinated with
28 affiliated and independent call room operators which ran the telemarketing

1 function. It does appear, however, that sometime in Spring 2011, Mitigation
2 Professionals withdrew from future business.

3 2. Client "Intake" – i.e., sales. Sales were made through a loosely
4 affiliated network of call rooms brought into the fold either by the DiGirolamo
5 organization or the Reneau organization. In particular, DiGirolamo and his close
6 associates, Chris Fox and James Foti, appear to have spent a great deal of time
7 recruiting call rooms and establishing a parallel operation in Florida. Fox and Foti,
8 the owner and senior employee of a company known as International Workflow,
9 also recruited call rooms to operate under the International Workflow down-line.
10 The DiGirolamo call rooms were located throughout the country, although several
11 call rooms – Elite Legal run by Joe Korte, Consolidated Litigation Group run by
12 the Grom brothers, and International Workflow operated by Fox and Foti – were
13 co-located with Attorneys Processing Center.

14 3. Client Support. The "client support" function was the primary
15 hands-on role of DiGirolamo's Attorneys Processing Center and Reneau's
16 Mitigation Professionals. Most customer contact was with the employees or sub-
17 agents of these companies after the sale was complete.

18 4. Fee Processing. Data Management, Attorneys Processing Center
19 and Mitigation Professionals also took in client funds. Defendant Bill Stephenson
20 was in charge of the accounting function at Attorneys Processing Center. Once the
21 funds were received, they were deposited by these companies directly into bank
22 accounts in the Kramer and Kaslow name.

23 5. Fee-Splitting. After the funds landed in the Kramer and Kaslow
24 bank account, checks were then written back to Attorneys Processing Center and
25 Mitigation Professionals for "client support." In truth, it was understood that the
26 majority of the funds were to be paid to the call room that brought in the client. For
27 example, if Mitigation Professionals received a \$5,000 retainer it would be
28 deposited in a Kramer and Kaslow account. Kramer would keep \$1,000 and write

1 back a check for \$4,000 per file to Mitigation Professionals for client support with
2 the understanding the Mitigation Professionals would route \$3,000 to the call room.

3 **C. Affiliates and Other Non-Parties**

4 Our review has uncovered a universe of agents, sub-agents and other Affiliates of
5 Defendants variously involved in the "intake process," which is a euphemistic term used
6 by Defendants for "sales." We do not yet have all the details of this universe, but it can
7 be categorized as a form of multi-level marketing with Affiliates building their own down
8 line of sub-affiliates/agents, sometimes with the knowledge and participation of those
9 above them and sometimes as rogue operations. Regardless of the "levels," the goal was
10 the same – get a piece of the mass joinder "action." Many of the larger Affiliates justify
11 further investigation.

12 See discussion of specific Affiliate activities at pages 7-9. Also see Appendix,
13 Exhibit 74, which is a summary of payments made by Attorneys Processing Center to the
14 26 Affiliates who were paid more than \$25,000 in 2010-2011. That group of 26 Affiliates
15 received a total of \$4.1 million of the total \$4.7 million paid in so-called "Ambassador
16 Commissions."

17 **IV.**
18 **Financial Information**

19 We have not performed any sort of audit and many of the financial records are
20 incomplete or in disarray, but we can generally describe the financials and the flow of
21 funds as to certain Non-Attorney Defendants and their related entities of which we are
22 aware at present.

23 **A. Attorneys Processing Center LLC**

24 The primary source of revenue for Attorneys Processing Center are the fees for
25 contracts/retainer agreements received from additional mass joinder plaintiffs. The usual
26 amount of the fee is \$5,000 and it is paid in 3 to 5 installments. Payment is made via
27 ACH credits into a Kramer and Kaslow bank account or Attorneys Processing Center
28 receives checks made payable to Kramer and Kaslow, which are deposited by Attorneys

1 Processing Center employees into a Kramer and Kaslow bank account. Attorneys
2 Processing Center tracks and records all ACH credits and deposits in their accounting
3 system. Presently, it is our best estimate that Attorneys Processing Center collected and
4 recorded revenue related to the mass joinder lawsuits in the amount of \$1,787,000 in 2010
5 and \$7,584,000 in 2011. The funds were deposited in the Kramer and Kaslow bank
6 accounts, which were controlled by Kramer & Kaslow with regards to any disbursements
7 or transfer of funds. We have not seen any record of the debits to the Kramer and Kaslow
8 bank accounts.

9 It appears that Attorneys Processing Center's sole function was to track and
10 process all of the paperwork for the individuals who signed up to be plaintiffs on the mass
11 joinder lawsuits and to pay the sales Affiliates. They also followed up on collecting and
12 recording the additional installments. In order to fund Attorneys Processing Center's
13 operating expenses, which include employees and facility overhead, they would receive
14 periodic transfers of funds from either Data Management LLC (the sole owner of
15 Attorneys Processing Center) or from one of the Kramer and Kaslow accounts on an as-
16 needed basis. We assume that Kramer and Kaslow transfer some portion of the retainer
17 fees to Data Management, but we have not been able to locate those records.

18 The largest expense on the books of Attorneys Processing Center is "Ambassador
19 Commissions." The majority of this expense is made up of payments to the groups or
20 individuals (Affiliates) that solicit clients for the mass joinder lawsuits. The Affiliates
21 account for approximately 75 to 90% of the total of the Ambassador Commissions
22 expense. Attorneys Processing Center incurred \$1.139 million of Ambassador
23 commissions in 2010 and \$3.629 million in 2011, for a total of \$4.7 million. It appears
24 that sometime in late April 2011, Attorneys Processing Center stopped paying the bulk of
25 the Ambassador Commission to the Affiliates and this function shifted to the Van Son
26 law firm *dba* Consolidated Legal Group.

27 The remaining portion of the Ambassador Commissions appears to be monies
28 paid to employees (although treated as independent contractors) as piece work or spiffs

1 paid for completing certain tasks, the details of which have not been determined.
2 Appendix, Exhibit 74 is a schedule of all payees that received more than \$25,000 in 2010
3 and 2011. There are 26 payees that received more than \$25,000, and they total \$4.1
4 million out of the total \$4.7 million.

5 Regarding the payment of the operating overhead for Attorneys Processing
6 Center, we noted nothing unusual with these expenses. All expenses appeared consistent
7 with Attorneys Processing Center's activities.

8 **B. Mesa Law Group**

9 We reviewed the financial reports for Mesa Law Group with the third party
10 accounting service company, The Accounting & Legal Network (Beth Michaels)
11 ("TALN"), which maintains Mesa Law's account records and generates their financial
12 statements. TALN keeps the records on QuickBooks. They cut most of the checks,
13 process payroll through ADP, reconcile back accounts, and occasionally make deposits.
14 The signers on the main checking account are Beth Michaels (TALN) and Paul Peterson
15 (Mesa Law). TALN generates entries into the account system based on checks issued,
16 payroll records, and activity on the bank statements. All of the deposits, most of which are
17 made by Mesa Law, deposited in the main operating account are recorded as consulting
18 income in the accounting records. There is the possibility that some revenue is not getting
19 recorded if the funds are being diverted to other than the prime operating bank account.
20 We have not determined whether these actions exist and, if so, to what extent.

21 Our representative met with TALN to review the financial statements, but was
22 unable to document the particulars of the terms of revenue collections and the payments to
23 vendors. During 2010 and 2011 Mesa Law received and recorded revenue as consulting
24 income in the amounts of \$7.4 million and \$2.0 million, respectively. At this time, we are
25 unable to determine the names of the clients for deposits. TALN just booked all deposits,
26 the details of which TALN did not have, as consulting income.

27 We also reviewed the financial statements for 2010 and 2011. It appeared that
28 Mesa had high operating costs for rent, payroll, consultants, and refunds which consumed

1 large portions of their gross revenues. We reviewed in detail the following accounts and
2 identified the largest vendors in each.

3 1. Advertising & Promotion Expense

4 In 2010 and 2011, Mesa Law incurred expense in this account in the amounts of
5 \$1.5 million and \$27,700, respectively. It appears that Mesa Law changed the structure of
6 its business and relationship with Pate, Marier and Associates in 2011 causing the
7 reduction in expense and also the overall reduction in consulting income mentioned above,
8 but we were unable to determine the specifics of the change. It is likely that Pate, Marier
9 and Associates were taking their cut before the funds were transferred to Mesa Law in
10 2011, but we have not confirmed this.

11 There were three primary vendors paid under this category in 2010. They were
12 Pate, Marier and Associates for \$941,000, MailTech Inc. for \$178,000, and MVP Group
13 for \$272,000. Appendix, Exhibit 75 is a report which details all vendors that received
14 greater than \$10,000 that could be determined by reviewing the accounting records.

15 2. Sales/Marketing Expense

16 In 2010 and 2011, Mesa Law incurred expense in this account in the amounts of
17 \$596,000 and \$289,000, respectively. The primary vendor in 2010 was Pate, Marier and
18 Associates for \$383,000. In 2011, the primary vendors were Pate, Marier and Associates
19 for \$84,000 and MVP Group for \$83,000. Appendix, Exhibit 75 is a report which details
20 all vendors that received greater than \$10,000 that could be determined by reviewing
21 available accounting records.

22 3. Legal Expense

23 In 2010 and 2011, Mesa Law incurred expense in this account of \$483,000 and
24 \$640,000, respectively. Again, it appears that Mesa Law changed the structure of its
25 business because revenue decreased materially, as mentioned above. The legal expense
26 increased dramatically in 2011, but we were unable to determine the specifics of the
27 change.

28 In 2011, there were a dozen vendors that were paid for legal services with the

1 largest one being The Last Option for a total of \$70,000. But, in 2011, half of the legal
2 payments were made to Anthony Kassas for \$46,000 and the Law Offices of Anthony
3 Kassas for \$260,000, totaling \$306,000. Appendix, Exhibit 75 is a report which details all
4 vendors in this category that received greater than \$10,000 based on available records.

5 4. Owners' Distributions

6 There were owners' distributions made to Defendant Paul Petersen in the amount of
7 \$174,000 in 2010 and \$186,000 in 2011.

8 C. Pate, Marier and Associates

9 We reviewed the financial reports for Pate, Marier and Associates with the third
10 party accounting service company, TALN (Beth Michaels), which also maintains Pate,
11 Marier and Associates' accounting records and generates their financial statements. TALN
12 keeps the records on QuickBooks. Pate, Marier and Associates write their own checks and
13 the authorized signers are Jim Pate and Ryan Marier. TALN make entries into the
14 accounting system based on bank account activity, checks and payroll reports. All of the
15 deposits are made by Pate, Marier and Associates. There is the possibility that some
16 revenue is not getting recorded if the funds are being diverted to other than the prime
17 operating bank accounts. We have not determined if these actions exist and to what extent.

18 We met with TALN to review the financial statements, but we were unable to
19 document the particulars of the terms of the revenue collections and the payments to
20 vendors. During 2010 and 2011, Pate, Marier and Associates received and recorded
21 revenue as consulting income in the amounts of \$1.7 million and \$1.6 million,
22 respectively. At this time, we are unable to determine the names of the clients for deposits.
23 TALN just booked all deposits, the detail of which TALN did not have, as consulting
24 income.

25 We reviewed the financial statements for 2010 and 2011 and identified the
26 following accounts to provide detail as to the largest vendors. (Note that there appears to
27 be some inconsistency on certain vendors as to which GL account their expenses were
28

1 recorded. Some vendors will appear in multiple accounts for what appears to be similar
2 services.):

3 1. Commissions

4 In 2011 Pate, Marier and Associates recorded commission expense in the amount
5 of \$821,000. There was zero such expense in 2010, obviously a change in the structure of
6 the expense, but we were unable to determine the specifics. These expenses appear to be
7 payments to the sales people for booking transactions with clients. The highest paid
8 vendor was Saudy Esparza for a total of \$78,000, but there were 23 other vendors that
9 received more than \$10,000. Appendix, Exhibit 76.

10 2. Advertising & Promotion Expense

11 In 2010 and 2011, Pate, Marier and Associates incurred expenses in this account in
12 the amounts of \$554,000 and \$8,000, respectively. It appears that Pate, Marier and
13 Associates changed the structure of its business and relationship with MVP Group in 2011
14 causing the reduction in expense, but we were unable to determine the specifics of the
15 change. There was one primary vendor paid under this category in 2010 – MVP Group for
16 \$484,000. Appendix, Exhibit 76 details all vendors that received greater than \$10,000
17 based on available records.

18 3. Consulting

19 In 2010 and 2011, Pate, Marier and Associates incurred expense in this account in
20 the amounts of \$793,000 and \$81,000, respectively. It appears that in 2011 they changed
21 their structure and paid commissions discussed above. In 2010, there were 29 vendors that
22 were paid over \$10,000. Appendix, Exhibit 76 details those vendors. There was no single
23 vendor with large payments, but Pate, Marier and Associates did pay Driving Force
24 Enterprises \$44,000 which is also owned by Pate, Marier and Associates.

25 4. Owners' Distributions

26 In 2010, there were owners' distributions made to Marier in the amount of \$39,000
27 and Pate in the amount of \$34,000. In 2011, the distributions made to Marier were
28 \$255,000 and the distributions made to Pate were \$251,000.

1 **D. Christopher Van Son dba Consolidated Litigation Group**

2 Consolidated Litigation Group was a *dba* for Christopher Van Son. Consolidated
3 Litigation Group was not a separate legal entity and was set up only to handle all of the
4 activity for Kramer & Kaslow. Consolidated Litigation Group only began processing the
5 collections on behalf of Kramer & Kaslow in June of 2011.

6 Their activity was to collect and process the deposits of checks or process the ACH
7 clearings. The checks could go into either a Kramer & Kaslow account or a Consolidated
8 Litigation Group account depending on who the payee was. Once the payment was
9 received, a fee was paid or retained by Consolidated Litigation Group/Christopher Van
10 Son. Consolidated Litigation Group would then pay the fees to the Affiliates and to Legal
11 Processing Center. Legal Processing Center was the organization that actually provided the
12 staff to run Consolidated Litigation Group. If the Legal Processing Center did not have
13 enough fees to pay all of its operating expenses, such as rent, power, computers and staff,
14 then Christopher Van Son would remit more funds to Legal Processing Center to make up
15 the difference. A significant portion of the collections would go directly into a Kramer &
16 Kaslow account. Once a week, Consolidated Litigation Group would prepare an
17 accounting and remit the collections, net of the monies deposited directly into Kramer &
18 Kaslow, and net of the fees that Consolidated Litigation Group was supposed to pay, and
19 remit the funds to Data Management LLC. Also, note that all of the splits between
20 Consolidated Litigation Group, Kramer & Kaslow, and the Affiliates were specified by
21 Gary DiGirolamo of Data Management LLC.

22 Consolidated Litigation Group did not maintain any formal accounting records. All
23 transactions were tracked on Excel spreadsheets. Based on our review of the spreadsheets,
24 we were able to prepare the rough summary below of the financial activity of Consolidated
25 Litigation Group.

26 Collections	\$488,058
27 Allocation of Collections:	
Kramer & Kaslow/Data Mgmt.	\$290,348
Christopher Van Son	\$26,825
28 AE Fee	\$4,800

1	Legal Processing Center	\$14,200
	Affiliates	<u>\$151,011</u>
2	Subtotal	<u>\$487,184</u>
	Remaining balance	<u>\$874</u>

3 We then reviewed the spreadsheets and we were able to identify the payments to
4 Affiliates that total \$104,790. It appears that the difference between what we have
5 identified below and the \$151,011 in the financial statements is due to the amounts that
6 were still due to be paid to Affiliates and items that were not properly documented in the
7 spreadsheets. The summary of payments to Affiliates is summarized below:

8 Payments to Affiliates:

9	<u>Name</u>	<u>Grand Total</u>
10	Kevin Young	\$50,895
	Laura Ferguson	\$11,000
11	Brian Peterson	\$5,250
	Sharon Brown	\$3,600
12	Tom Self	\$6,200
	David Goldman	\$900
13	Greg Rosenstein	\$4,545
	Melanie Moore	\$7,500
14	Elite-Korte	\$12,900
	TLC	\$1,500
15	Christian Yates	<u>\$500</u>
16		<u>\$104,790</u>

17 **E. Mitigation Professionals, LLC**

18 We reviewed the financial reports of Mitigation Professionals, LLC. The
19 accounting records are kept on QuickBooks and were in poor condition. The discussion
20 below represents information that was obtained by review the QuickBooks accounting
21 records and discussions with Reneau and Gonzales. A fundamental concern about the
22 records is that the checking account balance in the general ledger was a negative \$735,000.
23 Reneau attributes that to the fact that he had not reconciled his bank account to the
24 accounting records in a few months, but based on a review of the accounting records, this
25 may more likely be due to the possibility that some of the deposits from Kramer and
26 Kaslow were not recorded in the accounting records. The comments below should be read
27 with the understanding that there could be some adjustments once the details of the cash
28 account are investigated.

1 Mitigation Professionals was processing payments for loan mitigation in 2010 and
2 mass joinder lawsuits in 2011 for Kramer and Kaslow. Mitigation Professionals would
3 deposit the checks into a Kramer and Kaslow account. Then once a week, Mitigation
4 Professionals would provide a report to Kramer and Kaslow, listing the amounts of the
5 deposits for the week, and request a payment for the amount of the deposits less Kramer's
6 retention. After Mitigation Professionals would receive the funds, they would pay all but
7 \$1000 to \$500 out to the sales Affiliates.

8 Total revenue, which was recorded as "Fees", was \$2.3 million for 2010 and \$2.7
9 million for 2011. Keep in mind that this amount may could possibly be understated for
10 any unrecorded deposits. Based on a review of the financial statements for 2010 and 2011,
11 we identified the following accounts to provide detail as to the largest vendors:

12 1. Advertising Expense

13 In 2010 and 2011, Mitigation Professionals incurred expense in this account of \$1.7
14 million and \$2.6 million, respectively. The primary expenses were payments to Affiliates.
15 The largest vendors in 2010 were the Lewis Marketing Group for \$672,000, Media
16 Marketing Group for \$112,000 and Neighborhood Home Relief for \$320,000. During this
17 time, the majority of the activity was related to loan modifications. There were three
18 primary vendors paid under this category in 2011 - Diversified Financial Protection
19 Agency for \$187,000; Neighborhood Home Relief for \$353,000; and Nationwide Financial
20 Group for \$163,000. See Appendix, Exhibit 77 for a schedule of all advertising vendors
21 over \$10,000.

22 2. Commissions and Fees Expense

23 In 2010 and 2011, Mitigation Professionals incurred expense in this account of
24 \$228,000 and \$19,000, respectively. These expenses were primarily commissions paid
25 directly to the sales people at one of the Affiliates, with the remaining amount paid to the
26 Affiliate. The primary vendor in this account in 2010 and 2011 was employee David
27 Gonzales. See Appendix, Exhibit 77 for the vendors in this account over \$10,000 each
28 year.

1 3. Cost of Labor Expense

2 This account primarily includes expenses for employee labor, paid both as
3 independent contractors and employees. In 2010 and 2011, expenses in this account were
4 \$419,000 and \$684,000, respectively. In 2010 and 2011, the largest vendor/payee was
5 employee David Gonzales. See Appendix, Exhibit 77 for vendors in this account that
6 received more than \$10,000 in each year.

7 4. Owners' Distributions

8 There were owners' distributions made to Reneau in the amounts of \$52,000 in
9 2010 and \$45,000 in 2011.

10 V.
11 **Can The Businesses of Non-Attorney Defendants
12 Be Operated Lawfully and Profitably?**

13 Paragraph 3 of the Receiver Order authorizes and directs the Receiver to
14 "Continue and conduct the business, or cease operation of the business, of Non-Attorney
15 Defendants in such manner, and to such extent, and for such duration as Receiver may in
16 good faith deem to be necessary or appropriate to operate the business profitably and
17 legally, if at all."

18 Based on my investigation to date, my conclusion is that all of these enterprises are
19 so intertwined in illegal fee-splitting, deceptive advertising, and illegal loan modification
20 services that they cannot be operated lawfully.

21 While the mass joinder cases may or may not offer a potential remedy to distressed
22 homeowners, the process by which these Non-Attorney Defendants are "selling" supposed
23 seats at that table is terminally infected by illegal fee-splitting. No matter how many
24 entities Kramer interjects between himself and the Non-Attorney sellers, the fact remains
25 that he is splitting his fees with Non-Attorneys who are soliciting clients on his behalf. I
26 need not and do not take any position as to the ultimate merit of the mass joinder cases
27 themselves.

28 In theory, these Non-Attorneys could cure their false and deceptive advertising by
implementing some sort of truth in advertising program whereby all solicitations were

1 characterized by full disclosure of all the risks and unknowns of litigation, no false
2 promises, and none of the hard sell sales tactics common to commission-driven telephone
3 call rooms. Such a program would require a sea change in training and supervision
4 protocols which would substantially increase operational expenses. And we can safely
5 predict that "sales" will decline if the sales tactics are purified. Even if such a cleansing of
6 sales tactics could be achieved, there remains the fatal flaw that these activities would still
7 constitute solicitation and sales by Non-Attorneys for a piece of the lawyer's fee.

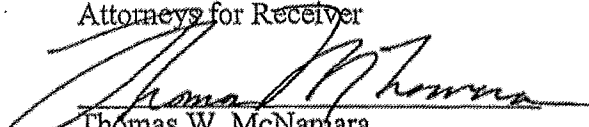
8 While we have seen evidence that some Defendants were providing real assistance
9 to homeowners seeking loan modifications, the fact remains that such advance fee loan
10 modification services are illegal in California and may also constitute the unauthorized
11 practice of law.

12 In the end, the Non-Attorney Defendants have embroiled themselves in a toxic and
13 illegal business venture. The exact circumstances may vary somewhat as to each
14 Defendant, but my conclusion is that these businesses can not be operated lawfully or
15 profitably going forward.

16
17 Dated: August 30, 2011

18
19 Thomas W. McNamara
20 Court-Appointed Receiver

21 BALLARD SPAHR LLP
22 Andrew W. Robertson
23 Daniel M. Benjamin
24 Chrysta L. Elliott
25 Attorneys for Receiver

26 
27 Thomas W. McNamara,
28 Court-Appointed Receiver

ORIGINAL FILED
Los Angeles Superior Court
AUG 30 2011
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12 Attorneys for Court-Appointed Receiver

13 SUPERIOR COURT OF THE STATE OF CALIFORNIA
14 COUNTY OF LOS ANGELES

15 THE PEOPLE OF THE STATE OF
16 CALIFORNIA,

17 Plaintiff,

18 v.

19 THE LAW OFFICES OF KRAMER AND
KASLOW, et al.,

20 Defendants.
21
22

) Case No. LC094571

) **DECLARATION OF THOMAS W.
MCNAMARA, COURT-
APPOINTED RECEIVER, IN
SUPPORT OF PRELIMINARY
REPORT OF RECEIVER**

) Judge: Frank J. Johnson
Dept.: B

) Complaint Filed: August 12, 2011

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26 **COPY**
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1 I, Thomas W. McNamara, hereby declare and state as follows:

2 1. I am the Court-appointed receiver ("Receiver") in this action pursuant to
3 the "Order Appointing Receiver and Order to Show Cause re Confirmation of
4 Appointment" issued by this Court and dated August 15, 2011 (the "Order" or the
5 "Receivership Order"). I am an attorney admitted to practice before this Court. I make
6 this declaration based upon my personal knowledge except where, as noted, I have
7 learned of relevant information from members of my staff who have carried out the Order
8 appointing me Receiver. If called to testify I could and would testify competently to the
9 facts stated herein.

10 2. I present this Declaration with regard to the Preliminary Report of
11 Receiver.

12 **I. Background on the Scope of the Receivership**

13 3. In the Receivership Order, the Court appointed me Receiver over a number
14 of persons and entities and/or their Assets. The scope of the Receivership was divided
15 into two distinct categories:

16 a. As to "Non-Attorney Defendants," I was appointed as a full equity
17 Receiver, with the power to seize all of their "Assets" and "Documents" except as
18 expressly limited by the Order (e.g., the limitation as to their primary abode.
19 (Order at 5-16).

20 b. As to the "Attorney-Defendants," I was appointed Receiver over
21 their "Assets" and "Documents" except if such Assets or Documents were taken
22 into the possession of the State Bar or subject to the State Bar Interim Orders
23 Assuming Jurisdiction. (Order at 5-16).

24 4. The term "Asset" is defined in the Order as follows:

25 "Assets" shall mean any legal or equitable interest in, right to, or claim to,
26 any real or personal property, whether individually or jointly, directly or
27 indirectly controlled, and wherever located, including, but not limited to,
28 all cash on hand and funds deposited at any bank, financial institution,
brokerage firm, mutual fund, or other entity, and all credit, stocks, bonds,
securities, certificates of deposit, deeds, beneficial interests in deeds of

1 trust, leases, contracts, receivables, rents and books, records, mail or other
2 deliveries, life insurance with a paid-in value, annuities, art work, antiques,
3 jewelry, electronic items, and coin and stamp collections, held in the name
4 of, for the benefit of, or over which account authority is held by any
5 Defendant or any trust, partnership, joint venture, person or entity
6 affiliated with any Defendant. Items used for personal purposes such as
7 furniture, household goods, or clothing worth less than \$2,500, shall not be
8 subject to this Order.

(Order at 5).

5. The term "Document(s)" is defined in the Order as follows:

8 "Document" shall be synonymous in meaning and equal in scope to the
9 usage of the term in the Code of Civil Procedure Section 2016.020, and
10 includes, but is not limited to, writings, drawings, graphs, charts,
11 photographs, audio and video recordings, computer records, and other data
12 compilations from which information can be obtained and translated, if
13 necessary, through detection devices into reasonably usable form. A draft
14 or non-identical copy is a separate document within the meaning of the
15 term. Documents located in the offices of Non-Attorney Defendants shall
16 be deemed to be Documents of Non-Attorney Defendants.

(Order at 4).

15 **II. Background on the My Investigation to Date**

16 6. In this Declaration, I provide a foundation for the documents attached to
17 the Appendix to Preliminary Report of Receiver.

18 7. Before authenticating individual Documents, I need to first summarize in
19 broad terms my investigation to date. The Receivership Order and Temporary
20 Restraining Order (along with the related Orders obtained by the State Bar) issued under
21 seal and without notice to the named Defendants on August 15, 2011. The purpose of this
22 procedure was to avoid providing notice that might permit the destruction of Documents
23 and transfer and loss of Assets. (See Order at 3:11-18; Temporary Restraining Order at
24 3:14-21).

25 8. On the morning of August 17, 2011, with the assistance of law
26 enforcement and members of my staff, I implemented the Court's Order, including
27 seizing control of the Assets, Documents, and premises covered by the Order. Thus, at
28 approximately 10 a.m., members of the receivership team arrived simultaneously at eight

1 of the nine identified premises where the Non-Attorney Defendants were known to be
2 operating, while the State Bar arrived at the one other such site (where an Attorney
3 Defendant was also operating) and arrived at the other Attorney Defendant locations.

4 9. The eight premises at which we arrived at 10 a.m. included those identified
5 in the Receivership Order on pages 9 to 10 of the Order as premises that I, as Receiver,
6 was to immediately secure. Upon our arrival, I and my staff determined that five of the
7 eight premises were in fact still being used by the Defendants for the unlawful activity
8 described in the Complaint, while three were now vacant or being operated by unrelated
9 entities or persons and thus should not be seized. (*See* Order at 9:10-10:27 (Receiver was
10 to seize the identified locations and anywhere else that Defendants were “using to conduct
11 business operations that relate to the unlawful activity alleged in the complaint”).

12 10. The five premises that were seized at approximately 10 a.m. were as
13 follows: (1) the 30 Corporate Park location; (2) the Kalmus Drive Location; (3) the Gary
14 Avenue location (at which we located an additional suite utilized by the Defendants for
15 conduct related to the unlawful activity alleged in the Complaint); (4) the Green Valley
16 Circle location; and (5) the Balboa Blvd. location.

17 11. My offices also took control of the ninth premises identified in the Court’s
18 Order—the site that was first secured by the State Bar, 3151 Airway Avenue, F-200,
19 Costa Mesa—shortly after noon on August 17, 2011.

20 12. Lastly, as discussed in my prior declaration submitted in connection with
21 the *ex parte* by Anthony Kassas, at approximately noon on August 17, 2011, our
22 investigation revealed an additional site that we then secured which was being utilized by
23 Defendants James Pate, Ryan Marier, Mesa Law, and Pate, Marier and Associates
24 (“PMA”) located at 2975 Red Hill Avenue, Suite 100, Costa Mesa, California.

25 13. As each site was secured, I and my staff, aided by law enforcement as
26 provided for in the Order, followed a standardized protocol to secure Assets and
27 Documents and to determine the nature of the business activities occurring at each site to
28 determine if they fell within the category of the unlawful activities enjoined by the

1 Court's Orders.

2 14. This protocol included: (1) removing all employees and persons present
3 from their computers, offices, and workstations so that no Documents could be
4 transferred or destroyed; (2) obtaining (assuming they would cooperate) an employee
5 questionnaire from each person present to obtain basic nature as to their identity and
6 work, and access to any business-related passwords; (3) permitting personal items that
7 could be identified as such to be removed under the supervision of law enforcement; (4)
8 securing wherever possible control of all computer systems (as discussed below, this can
9 be a challenge as to "cloud-based" remote email systems and programs, and we now have
10 cause to conclude that some Defendants and/or affiliates have in fact remotely accessed
11 such systems subsequently in violation of the Court's Orders); (5) making mirror-image
12 copies of key servers, laptop computers, desktop computers, and other electronic storage
13 devices; (6) copying key Documents not subject to the State Bar's jurisdiction; (7)
14 interviewing key personnel and Defendants if they would agree to such an interview; (8)
15 conducting an inventory of each office; and (9) beginning a systematic review of all
16 offices, documents, and electronic information located. (*See* Order at 8-14).

17 15. This process has occurred at all premises that we ultimately took control of
18 pursuant to the Court's Order, although the review of documents and electronic data is
19 still ongoing and could lead me to supplement my findings and conclusions. Also still
20 ongoing is our recovery of relevant documents and electronic information from third
21 parties, as well the interviewing of witnesses, all of which could also lead me to
22 supplement my findings and conclusions.

23 16. As part of all of the Receivership activities, we also have sought to identify
24 each and every financial account under the direct or indirect control of any Defendant, to
25 secure the funds therein, and to obtain complete account records with regard to each.

26 17. The foundation for this Declaration thus is this review process as it has
27 occurred as to each of the premises located and secured, and that we are now reviewing,
28 and accounts that we have secured and with regard to which we are now obtaining

1 records. In some instances as noted in my report, we have also secured additional
2 relevant information from witness interviews, third parties, and public records searches.

3 **III. Documents Attached to Appendix to Preliminary Report of Receiver**

4 A. Site Summaries and Furniture and Equipment Inventories

5 18. Exhibits 1-8 attached to the Appendix to Preliminary Report of Receiver
6 are site summaries and furniture and equipment inventories which were completed by
7 members of my team after we took over the premises at: 30 Corporate Park, Suites 400,
8 455 and 465, Irvine; 2975 Red Hill Avenue, Suite 100, Costa Mesa; 1800 East Garry
9 Avenue, Suite 207, Santa Ana; 5855 Green Valley Circle, Suite 209, Culver City; 3151
10 Airway Avenue, Suite F-200, Costa Mesa; 151 Kalmus Drive, Suites 102, 210, Costa
11 Mesa; and 6345 Balboa Boulevard, Suite 138, Encino.

12 B. 30 Corporate Park, Suites 455 and 465, Irvine

13 19. The following Documents were located by members of my team at 30
14 Corporate Park, Suites 455 and 465, Irvine:

15 a. A true and correct copy of a Dear "Prospective Client" form letter
16 from Philip Kramer with attached PowerPoint summary regarding Kramer,
17 Consolidated Litigation Group, and Multi-Plaintiff Litigation is attached to the
18 Appendix to Preliminary Report of Receiver as Exhibit 9.

19 b. A true and correct copy of a Homeowner Litigation Services Sales
20 Training Manual is attached to the Appendix to Preliminary Report of Receiver as
21 Exhibit 10.

22 c. A true and correct copy of a K2 Law/Law Firm of Kramer &
23 Kaslow "Client FAQ" is attached to the Appendix to Preliminary Report of
24 Receiver as Exhibit 11.

25 d. A true and correct copy of a Pitch Outline for Hot Hot/Direct Mail
26 Leads is attached to the Appendix to Preliminary Report of Receiver as Exhibit 12.

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1 e. A true and correct copy of a Sales Script, with client names
2 redacted, is attached to the Appendix to Preliminary Report of Receiver as Exhibit
3 13.

4 f. A true and correct copy of a sample mailer from "Lender Settlement
5 Department" at 30 Corporate Park, Suite 455, Irvine is attached to the Appendix to
6 Preliminary Report of Receiver as Exhibit 14.

7 g. A true and correct copy of a notice to sales representatives
8 confirming the sales commission rates effective July 1, 2011 is attached to the
9 Appendix to Preliminary Report of Receiver as Exhibit 15.

10 C. 30 Corporate Park, Suite 400, Irvine

11 20. The following Documents were located by members of my team at 30
12 Corporate Park, Suite 400, Irvine:

13 a. A true and correct copy of an Elite Legal Services, Inc. Client
14 Services Rep. Training Packet by Adam Striley is attached to the Appendix to
15 Preliminary Report of Receiver as Exhibit 16.

16 b. A true and correct copy of a Litigation Department Script from the
17 Ramba Law Group is attached to the Appendix to Preliminary Report of Receiver
18 as Exhibit 17.

19 c. True and correct copies of scripts and sales instructions from The
20 Law Offices of Kramer & Kaslow Re: Joinder Litigation are attached to the
21 Appendix to Preliminary Report of Receiver as Exhibit 18.

22 d. A true and correct copy of a Kramer & Kaslow "Mass Action"
23 FAQs sheet is attached to the Appendix to Preliminary Report of Receiver as
24 Exhibit 19.

25 e. A true and correct copy of Accounting Notes is attached to the
26 Appendix to Preliminary Report of Receiver as Exhibit 20.

27 f. A true and correct copy of Broker Payments is attached to the
28 Appendix to Preliminary Report of Receiver as Exhibit 21.

1 g. A true and correct copy of a QC Call Process sheet is attached to the
2 Appendix to Preliminary Report of Receiver as Exhibit 22.

3 h. A true and correct copy of lists and emails Re: Fee-splitting is
4 attached to the Appendix to Preliminary Report of Receiver as Exhibit 23.

5 i. A true and correct copy of an email chain, with customer names
6 redacted, between Matthew Campbell, Stuart Simone, Philip Kramer, Gary Di
7 Giralomo and others Re: The Pipeline dated June 27-29, 2011 is attached to the
8 Appendix to Preliminary Report of Receiver as Exhibit 24.

9 j. A true and correct copy of an email from Patrick Grom to Chris Fox
10 Re: Todays pay is attached to the Appendix to Preliminary Report of Receiver as
11 Exhibit 25.

12 k. A true and correct copy of Citibank Deposits, with customer names
13 redacted, is attached to the Appendix to Preliminary Report of Receiver as Exhibit
14 26.

15 D. 2975 Red Hill Avenue, Suite 100, Costa Mesa

16 21. The following Documents were located by members of my team at 2975
17 Red Hill Avenue, Suite 100, Costa Mesa (any redactions or omissions in these documents
18 were identified in my prior declaration as to Mr. Kassas):

19 a. A true and correct copy of a Red Hill Seating Chart and Office
20 Layout is attached to the Appendix to Preliminary Report of Receiver as Exhibit
21 27.

22 b. A true and correct copy of a Poster and Memorandum re: Joining the
23 Executive Club is attached to the Appendix to Preliminary Report of Receiver as
24 Exhibit 28.

25 c. A true and correct copy of a letter dated July 21, 2011 on the
26 letterhead of "The Law Offices of Anthony Kassas" Re: Potential Litigation
27 Proceedings and attachments, with client name and address redacted, is attached to
28 the Appendix to Preliminary Report of Receiver as Exhibit 29.

1 d. A true and correct copy of a Law Offices of Anthony Kassas ADR
2 Flow Chart is attached to the Appendix to Preliminary Report of Receiver as
3 Exhibit 30.

4 e. True and correct copies of telemarketing scripts from Mesa Law
5 Group are attached to the Appendix to Preliminary Report of Receiver as Exhibit
6 31.

7 f. True and correct copies of emails between or copying Defendant
8 Pate and Marier, and Mr. Kassas and others with his "firm," dated August 5-8,
9 2011 are attached to the Appendix to Preliminary Report of Receiver as Exhibit 32.

10 g. A true and correct copy of an email from Denny Lake to Pate and
11 Marier, dated August 10, 2011 is attached to the Appendix to Preliminary Report of
12 Receiver as Exhibit 33.

13 h. A true and correct copy of an email chain (the version recovered
14 thus far starts at page 2) between Denny Lake, Pate, and Marier, dated August 10,
15 2011 concerning a letter to be sent (attached) to clients who "believe they are in
16 active negotiations" with their lender is attached to the Appendix to Preliminary
17 Report of Receiver as Exhibit 34.

18 i. A true and correct copy of an email chain that includes Denny Lake,
19 Marier, Kassas, and an employee from Petersen Legal Services' "Home Retention
20 Dept.," dated August 15, 2011 is attached to the Appendix to Preliminary Report of
21 Receiver as Exhibit 35.

22 j. A true and correct copy of an email chain dated August 2-3, 2011
23 that includes Pate, Kassas, and other Kassas employees forwarding the "Ramba and
24 Lebron Multi-plaintiff Litigation Retainers" is attached to the Appendix to
25 Preliminary Report of Receiver as Exhibit 36

26 k. A true and correct copy of an email chain dated July 5-7, 2011
27 between Pate and Kassas Re: Litigation Transition letter is attached to the
28 Appendix to Preliminary Report of Receiver as Exhibit 37.

1 l. A true and correct copy of an email chain dated August 1, 2011
2 between Pate and Kassas in which Pate advises Kassas how to respond if a
3 potential client asks him whether his offices are linked to Defendant Mesa Law is
4 attached to the Appendix to Preliminary Report of Receiver as Exhibit 38.

5 m. True and correct copies of various emails from Baron Morledge,
6 James Mowrer and Eric Hogan to sales teams demonstrating sales motivation
7 tactics dated August 8-17, 2011 are attached to the Appendix to Preliminary Report
8 of Receiver as Exhibit 39.

9 E. 1800 East Garry Avenue, Suite 207, Santa Ana

10 22. The following Documents were located by members of my team at 1800
11 East Garry Avenue, Suite 207, Santa Ana:

12 a. A true and correct copy of a "New Terms" List is attached to the
13 Appendix to Preliminary Report of Receiver as Exhibit 40.

14 b. A true and correct copy of The Home Retention Division 100%
15 Money Back Guarantee Policy is attached to the Appendix to Preliminary Report of
16 Receiver as Exhibit 41.

17 c. A true and correct copy of a Home Retention Division Client Fee
18 Contract is attached to the Appendix to Preliminary Report of Receiver as Exhibit
19 42.

20 d. A true and correct copy of an ACH approval form for payments to
21 Home Litigation Help is attached to the Appendix to Preliminary Report of
22 Receiver as Exhibit 43.

23 e. True and correct copies of Home Retention Division Phone Lists are
24 attached to the Appendix to Preliminary Report of Receiver as Exhibit 44.

25 f. A true and correct copy of an internal invoice showing commissions,
26 with client name redacted, is attached to the Appendix to Preliminary Report of
27 Receiver as Exhibit 45.

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1 g. A true and correct copy of a table of contents of Kramer and Kaslow
2 documents is attached to the Appendix to Preliminary Report of Receiver as
3 Exhibit 46.

4 h. A true and correct copy of a "Dear Potential Client" letter on Home
5 Retention Division letterhead is attached to the Appendix to Preliminary Report of
6 Receiver as Exhibit 47.

7 i. A true and correct copy of an August 16, 2011 Email from Santa
8 Ana manager Darcy Ratkay to Ken Kroening, Sr. Litigation Advisor, Re: form
9 letter to clients is attached to the Appendix to Preliminary Report of Receiver as
10 Exhibit 48.

11 j. A true and correct copy of a Home Retention Sales Script is attached
12 to the Appendix to Preliminary Report of Receiver as Exhibit 49.

13 k. A true and correct copy of a Sales Script is attached to the Appendix
14 to Preliminary Report of Receiver as Exhibit 50.

15 l. True and correct copies of form emails and letters used by Melanie
16 Diana to secure retainer agreement, with client names and addresses redacted, are
17 attached to the Appendix to Preliminary Report of Receiver as Exhibit 51.

18 m. A true and correct copy of a document entitled "Attorney
19 Information Regarding the Joint Plaintiff Lawsuit" identifying Christopher Van
20 Son as the intake attorney is attached to the Appendix to Preliminary Report of
21 Receiver as Exhibit 52.

22 n. A true and correct copy of a Consolidated Litigation Group
23 summary of consolidated plaintiff lawsuits is attached to the Appendix to
24 Preliminary Report of Receiver as Exhibit 53.

25 F. 5855 Green Valley Circle, Suite 209, Culver City

26 23. The following Documents were located by members of my team at 5855
27 Green Valley Circle, Suite 209, Culver City:

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1 a. A true and correct copy of a talking points document for sales
2 personnel is attached to the Appendix to Preliminary Report of Receiver as Exhibit
3 54.

4 b. A true and correct copy of a June 22, 2011 email from on-site
5 manager Hector Soto Re: an oversimplified look at the litigation causes of action is
6 attached to the Appendix to Preliminary Report of Receiver as Exhibit 55.

7 c. True and correct copies of script materials for the Non-Attorney
8 sales team with selling points are attached to the Appendix to Preliminary Report of
9 Receiver as Exhibit 56.

10 d. A true and correct copy of an individualized handwritten script from
11 a sales cubicle that commences, "We are a law firm," is attached to the Appendix to
12 Preliminary Report of Receiver as Exhibit 57.

13 e. True and correct copies of Phone Lists for the Law Offices of
14 Christopher Van Son and Associates and Home Retention Division are attached to
15 the Appendix to Preliminary Report of Receiver as Exhibit 58.

16 f. True and correct copies of March 2, 2011 emails between
17 complaining consumer, Hector Soto and Betty (Kramer & Kaslow), with client
18 name redacted, are attached to the Appendix to Preliminary Report of Receiver as
19 Exhibit 59.

20 G. 6345 Balboa Boulevard, Suite 138, Encino

21 24. The following Documents were located by members of my team at 5855
22 Green Valley Circle, Suite 209, Culver City:

23 a. A true and correct copy of a document regarding Litigation
24 Retainers showing intake flow and fee-splitting is attached to the Appendix to
25 Preliminary Report of Receiver as Exhibit 60.

26 b. A true and correct copy of a mass joinder case description posted on
27 a sales cubicle is attached to the Appendix to Preliminary Report of Receiver as
28 Exhibit 61.

1 c. A true and correct copy of a Lender Litigation transmittal letter from
2 Van Son Law Group and Consolidated. Litigation Group is attached to the
3 Appendix to Preliminary Report of Receiver as Exhibit 62.

4 d. A true and correct copy of a Main Floor Script is attached to the
5 Appendix to Preliminary Report of Receiver as Exhibit 63.

6 e. A true and correct copy of a newspaper article or press release
7 regarding "Kramer Law: Unprecedented Lawsuit Exposed Alleged Bank Fraud &
8 Seeks Damages for Homeowners" is attached to the Appendix to Preliminary
9 Report of Receiver as Exhibit 64.

10 f. A true and correct copy of a November 2010 promotional package
11 from Kramer and Kaslow and Mitchell J. Stein regarding six new mass joinder
12 litigation cases with Van Son contact information at the back is attached to the
13 Appendix to Preliminary Report of Receiver as Exhibit 65.

14 g. A true and correct copy of handwritten script notes at sales cubicle is
15 attached to the Appendix to Preliminary Report of Receiver as Exhibit 66.

16 h. A true and correct copy of handwritten script notes at sales cubicle is
17 attached to the Appendix to Preliminary Report of Receiver as Exhibit 67.

18 H. Miscellaneous

19 25. A true and correct copy of the Declaration of Clarence Butt Submitted in
20 Opposition to Stein's Motion for Temporary Injunction and Turnover Order in United
21 States Bankruptcy Court, Southern District of Florida, West Palm Beach Division, Case
22 No. 09-14345-PGH, Chapter 11, Adv. No. 11-02425-PGH is attached to the Appendix to
23 Preliminary Report of Receiver as Exhibit 68.

24 26. A true and correct copy of the Declaration of Thomas David Phanco
25 Submitted in Opposition to Stein's Motion for Temporary Injunction and Turnover Order
26 in United States Bankruptcy Court, Southern District of Florida, West Palm Beach
27 Division, Case No. 09-14345-PGH, Chapter 11, Adv. No. 11-02425-PGH is attached to the
28 Appendix to Preliminary Report of Receiver as Exhibit 69.

1 27. A true and correct copy of an email chain between Philip Kramer, John
2 Swan, Gary DiGiralomo and Glen Reneau Re: Lawyer Response to Craigslist Ad dated
3 September 20-October 17, 2009 obtained from Glen Reneau's email account is attached to
4 the Appendix to Preliminary Report of Receiver as Exhibit 70.

5 28. A true and correct copy of an email chain between Philip Kramer and Glen
6 Reneau Re: New potential K&K outfit dated June 28, 2010 obtained from Glen Reneau's
7 email account is attached to the Appendix to Preliminary Report of Receiver as Exhibit 71.

8 29. A true and correct copy of the Declaration of Glen Reneau Submitted in
9 Opposition to Stein's Motion for Temporary Injunction and Turnover Order in United
10 States Bankruptcy Court, Southern District of Florida, West Palm Beach Division, Case
11 No. 09-14345-PGH, Chapter 11, Adv. No. 11-02425-PGH is attached to the Appendix to
12 Preliminary Report of Receiver as Exhibit 72.

13 30. True and correct copies of emails relating to Mitchell J. Stein obtained from
14 Glen Reneau's email account are attached to the Appendix to Preliminary Report of
15 Receiver as Exhibit 73.

16 31. A true and correct copy of a report printed from the QuickBooks for
17 Attorney Processing Center, LLC titled Vendor Contact List for Vendors over \$25,000 is
18 attached to the Appendix to Preliminary Report of Receiver as Exhibit 74.


19 32. A true and correct copy of a summary compiled by Jeff Matthews, a
20 forensic accountant I obtained for this matter, of Vendors Paid over \$10k Each Year on
21 Accounts of Interest for Mesa Law is attached to the Appendix to Preliminary Report of
22 Receiver as Exhibit 75.

23 33. A true and correct copy of a summary compiled by Jeff Matthews, a
24 forensic accountant I obtained for this matter, of Vendors Paid over \$10k Each Year on
25 Accounts of Interest for Pate Marier and Associates is attached to the Appendix to
26 Preliminary Report of Receiver as Exhibit 76.

27 34. A true and correct copy of a summary compiled by Jeff Matthews, a
28 forensic accountant I obtained for this matter, of Advertising/Commissions and Fees/Cost

1 of Labor/Vendors Payees over \$10k for Mitigation Professionals LLC is attached to the
2 Appendix to Preliminary Report of Receiver as Exhibit 77.

3 I declare under penalty of perjury under the laws of the State of California that the
4 foregoing is true and correct and I executed this declaration on August 3^o, 2011 in San
5 Diego, California.

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8 Thomas W. McNamara,
9 Court-Appointed Receiver
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