

UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF FLORIDA

CASE NO.: 17-CV-61937-WPD

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

STUDENT DEBT DOCTOR LLC, a Florida  
limited liability company,

and

GARY BRENT WHITE, JR., individually and  
as an officer of Defendant Student Debt Doctor LLC,

Defendants.

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**THIRD REPORT OF RECEIVER ROBERT CAREY**

Pursuant to Section XII of the Stipulated Preliminary Injunction [DE 24] (the “PI”), Robert Carey, not individually, but solely in his capacity as the Court-appointed receiver (the “Receiver”) for Student Debt Doctor LLC (“SDD”), Fidelity Debt Reserve LLC (“Fidelity Debt”), Fidelity Credit Repair LLC (“Fidelity Credit”), Fidelity Reserve Loans LLC (“Fidelity Reserve”), G White Enterprises LLC (“G White”), and Fidelity Asset Holdings Limited Partnership (“Fidelity Asset Holdings”), submits the following Third Report.<sup>1</sup>

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<sup>1</sup> Section XII of the PI required me to file a “preliminary report” on or before October 16, 2017, and then subsequent Reports every 90 days thereafter. I filed my First Report [DE 25-1] on October 16, 2017, and my Second Report [DE 52-1] on January 16, 2018. Therefore, this Third Report is due 90 days later – *i.e.*, April 16, 2018.

## **I. Reporting Requirements**

Section XII of the PI requires me to submit this Report (and future Reports) regarding the following topics: “(1) the steps taken by [me] to implement the terms of the TRO and [PI]; (2) the value of all liquidated and unliquidated assets of the Receivership Entities; (3) the sum of all the liabilities of the Receivership Entities; (4) the steps [I] intend[] to take in the future to: (a) prevent any diminution in the value of assets of the Receivership Entities, (b) pursue receivership assets from third parties, and (c) adjust the liabilities of the Receivership Entities, if appropriate; (5) whether the business of the Receivership Entities can be operated lawfully and profitably; and (6) any other matters which [I] believe[] should be brought to the Court’s attention.”

## **II. The Steps Taken to Implement the Terms of the TRO and PI**

### **A. Summary of Receivership Accomplishments**

As more fully discussed in my First and Second Reports, as well as below, my professionals and I have accomplished much for the benefit of the Receivership Estate and consumers since my appointment in early October 2017. Such accomplishments, which are individually and collectively steps taken to accomplish the terms of the TRO/PI, include the following:

- i. Assisting in freezing SDD’s, its related entities’, and Mr. White’s accounts for a total amount of more than \$2 million frozen;
- ii. Moving, which this Court granted [DE 61, 62], to expand the receivership over Fidelity Debt, Fidelity Credit, Fidelity Reserve, G White, and Fidelity Asset Holdings, which infused approximately \$1.1 million in additional funds for the benefit of the Receivership Estate;
- iii. Moving, which this Court granted [DE 65, 66], to liquidate the open equity and mutual fund positions in the Fidelity Asset Holdings accounts at Merrill Lynch;
- iv. Establishing receivership bank accounts (for each Receivership Entity) to deposit and safeguard receivership funds;
- v. Serving the TRO/PI on many banks, credit card companies, and merchant companies that potentially had accounts subject to the TRO

and asset freeze. I demanded that the banks, credit card companies, and merchant companies freeze any and all accounts in the name of any of the following: Mr. White, SDD, Fidelity Debt, Fidelity Credit, Fidelity Reserve, G White, Fidelity Asset Holdings, related entity Student Debt Direct LLC, related entity Fidelity Law Center LLC, and any companies owned, controlled, or held by Mr. White;

- vi. Securing (with the assistance of local law enforcement) three premises located at 3221 NW 10<sup>th</sup> Terrace, Suite 507 & 508, Oakland Park, FL 33309 and 3115 NW 10<sup>th</sup> Terrace, Suite 114, Oakland Park, FL 33309, where SDD and its related entities operated, and the books and records within;
- vii. Securing and imaging massive amounts of computerized files, electronically stored information (“ESI”), servers and databases, thereby preserving all electronic data at the premises for the duration of this litigation; more specifically, securing all onsite and offsite data and video, including a sophisticated database, also known as a Customer Relationship Manager Structured Query Language (“SQL”) database (collectively, “CRM”). Among other things, the CRM: (1) logged and tracked client transactions, including payment information and the status of consumers’ contracts; (2) maintained telephone call notes; and (3) contained multiple development servers for a new CRM;
- viii. Securing and preserving all recorded call data<sup>2</sup> and CRM with a global cloud hosting company called Vultr Holdings Corporation (“Vultr”), which my professionals contacted, served the TRO on and subpoenaed to preserve, obtain images from and obtain immediate access to. As a result, I preserved all of this call data, as well as the various databases and 10 servers, including SDD’s and its related entities’ CRM, internal websites, and at least 44 domain names;
- ix. Analyzing these databases/servers, including listening to certain recorded telephone conversations with consumers and identifying approximately 30,000 potential consumer victims since early 2014 and approximately 8,000 currently<sup>3</sup>;

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<sup>2</sup> There are 1,710,077 call files in MP3 format of 614 gigabytes.

<sup>3</sup> According to SDD’s CRM, there were 29,835 customers. Fidelity Debt and Fidelity Credit had separate CRM’s from SDD’s CRM. According to Fidelity Credit’s CRM, there were 562 customers.

- x. Running preliminary queries on the SDD CRM for consumer payments (*i.e.*, revenue) into the company, which total approximately \$13.4 million<sup>4</sup>;
- xi. Preserving electronic mail (more than 1 million emails), rerouting at least 182 different telephone lines, maintaining the telephonic communication system, and providing voicemail messages within this box for all future, incoming calls which inform callers that: (1) SDD and the other entities operating out of the premises are shut down and subject to the TRO/PI; and (2) interested persons should review the receivership website <http://studentdebtdoctorreceiver.com><sup>5</sup>;
- xii. Ceasing all business operations and advising the employees that they need not report to work;
- xiii. Serving subpoenas on all known financial institutions, including bank, brokerage, credit card and merchant accounts, with accounts in the names of SDD, its related entities, and Mr. White;
- xiv. Analyzing the productions consisting of thousands of pages of documents from the subpoenas and responses to the TRO/PI, including tracking funds and assets to which the Receivership Estate would have an entitlement;
- xv. Performing a forensic analysis of the relevant bank, brokerage, credit card, and merchant accounts to track any moneys to which the Receivership Estate would have an entitlement. From this analysis, I will be initiating lawsuits;
- xvi. Investigating the FTC's deceptive telemarketing allegations and preliminarily concluding that such allegations are true;
- xvii. Inspecting the sales scripts and books and records on the premises, and listening to certain recorded phone conversations between telemarketers and consumers (including certain ones stored on Mr. White's business computer). For example, scripts instructed telemarketers to "push" an inaccurate definition of family size and one example read: "Family Size- (Push if needed) Your family size isn't your dependents on your taxes. It's anyone that you partially financially help. Niece, Nephew, cousin, sick mother or father. Anyone that takes away from your ability to make

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<sup>4</sup> I am in the process of running other queries on the CRM, including, but not limited to, chargebacks or "cancelled" transactions.

<sup>5</sup> The receivership website and voicemail messages include content in both English and Spanish (many customers only speak Spanish and/or are located in Puerto Rico).

a monthly payment.” Similarly, I personally listened to recorded phone conversations in which telemarketers pushed this inaccurate definition of family size, including grown children and grandchildren<sup>6</sup>;

- xviii. Filing and recording a Lis Pendens [DE 26] on Mr. White’s townhome-condominium that is mortgage-free and was purchased with approximately \$737,000 in funds apparently derived from SDD and/or its related entities;
- xix. Securing possession of a Rolex Datejust watch that Mr. White had recently purchased but had been taken post-TRO by Mr. White’s ex-girlfriend. I moved to liquidate the Rolex for the benefit of the Receivership Estate, which the Court granted [DE 44, 46];
- xx. Moving, which the Court granted, to pay SDD’s employees’ October 2017 insurance premiums [DE 28, 29], given compelling circumstances that had occurred that month and as explained in further detail in that motion;
- xxi. Analyzing several leases, including the lease involving the office premises and a Porsche lease in the name of related entity G White Enterprises LLC, and evaluating their effects on the Receivership Estate;
- xxii. Appraising the office personalty and moving to liquidate same, which the Court granted [DE 44, 46]; the auction occurred on January 13, 2018, and the office personalty and Rolex sold for a gross<sup>7</sup> total of \$18,314.50, after which the premises was promptly vacated before the end of January 2018;
- xxiii. Reviewing, organizing, and packing hard copy documents secured at the premises, and creating a detailed inventory with corresponding office schematics to preserve and identify which employee was associated with each computer and associated hard copy documents<sup>8</sup>;

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<sup>6</sup> Other scripts had, among other things, the same or similar inaccurate definition of family size, contained deceptive pre-qualifying language, removed language that informed the consumer of his/her rights, and represented that SDD was only paid after obtaining results. Similarly, there were materials on the premises stressing the importance of fear-based sales to pressure consumers and ultimately capitalize on their fears.

<sup>7</sup> I inadvertently referred to this as the “net” amount in my Second Report, so I am correcting such here.

<sup>8</sup> Items that have been preserved include 33 file boxes, seven computer servers, multiple hard drives, multiple thumb drives, and 145 computers corresponding to office schematics.

- xxiv. Communicating by email and telephone calls with countless consumers<sup>9</sup> regarding the status of the proceeding, including creating a receivership website [www.studentdebtdoctorreceiver.com](http://www.studentdebtdoctorreceiver.com) for important updates to them and the public, including select court filings. The receivership site also contains an email address, [admin@studentdebtdoctorreceiver.com](mailto:admin@studentdebtdoctorreceiver.com), so that the public may contact me via email;
- xxv. Providing notice of the TRO at the receivership's commencement to, and interviews of, Mr. White and the employees regarding: (1) all books and records of SDD; (2) all books and records of its related entities; (3) all accounts and assets, including information on same, of SDD; (4) all accounts and assets, including information on same, of the related entities; (5) all accounts and assets, including information on same, of Mr. White; and (6) customer files and accounts;
- xxvi. Meeting with employees to return personal property not covered by the receivership;
- xxvii. Changing the locks on the premises' doors, temporarily hiring security to patrol the premises during both business and non-business hours, ensuring the security video-camera system on the premises was actively working and under my control, and ensuring that the premises' security alarm account and passwords were changed into my name and under my control;
- xxviii. Obtaining dozens of company passwords and user ID data from three main sources and changing same;
- xxix. Modifying 16 different social media outlets to include information about the receivership and its website;
- xxx. Inspecting Mr. White's residence in Pompano Beach (with his consent and his counsel's consent) for company and personal assets, and for any receivership books and records; and
- xxxi. Investigating potential targets for purposes of ancillary receivership litigation for the benefit of the Receivership Estate and consumers.

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<sup>9</sup> This is not surprising because there were more than 30,000 consumers.

## **B. Identification of Assets and Accounts**

### **1. Bank of America**

As stated in my prior filings, Bank of America froze: (1) \$493,636.00 in the name of SDD; (2) \$80,761.58 in the name of Fidelity Debt; (3) \$3,838.49 in the name of Fidelity Credit; (4) \$2,363.10 in the name of Fidelity Reserve; and (5) \$354,808.40 in the name of Mr. White. At least one relevant account at Bank of America pre-receivership in the name of “G. White Enterprises LLC DBA SDD” had no funds.

### **2. Banco Popular de Puerto Rico**

Banco Popular de Puerto Rico froze \$24,621.67 in the name of SDD.

Because SDD is clearly a Receivership Entity, I requested that Bank of America and Banco Popular de Puerto Rico transfer the funds held in the SDD accounts at the respective banks to the receivership bank account. I received the funds in the amount of \$493,636.00 from Bank of America and the funds in the amount of \$24,621.67 from Banco Popular de Puerto Rico.

I also received a double transfer of approximately \$167,000 from Banco Popular de Puerto Rico (an initial amount of \$168,000 was swept from Banco Popular de Puerto Rico to SDD’s Bank of America account shortly before the receivership commenced, which led to the frozen \$493,636.00 at Bank of America). I returned the double transfer of approximately \$167,000<sup>10</sup> back to Banco Popular de Puerto Rico upon receipt of certain requested instructions from its counsel.

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<sup>10</sup> There were some chargebacks applied post-TRO to the double transfer, which is the reason why the double transfer was not exactly \$168,000 but slightly less.

### **3. Merrill Lynch**

Merrill Lynch, which I promptly served with the TRO upon my initial meeting with Mr. White, froze (as of that time, as further discussed below) \$1,041,761.00 in cash and open equity and mutual fund positions in two accounts in the name of Fidelity Asset Holdings.

### **4. TD Ameritrade**

Shortly after filing my First Report, I learned that TD Ameritrade had \$50,000.00 in an account in Mr. White's name, which has been frozen.

### **5. Reliant Account Management ("RAM")**

Shortly after my appointment, I served the TRO on RAM which I understood had an account relationship with SDD or its related entities. RAM confirmed that it had an account with Fidelity Debt, in which student debt relief transactions and various fees were processed. According to RAM's most recent production to me as of March 8, 2018, \$2,465.80 was frozen and payable to Fidelity Debt; \$63.75 is payable to RAM; \$115.00 is payable to a third-party vendor Veritas Legal; and purported client/student funds held in trust total \$156,330.92. I am in the process of confirming that the client funds held in trust are not assets of the receivership and intend to file a motion in the near future regarding the recommended disposition of such funds.

### **C. Expansion of Receivership**

Since my appointment, I thoroughly investigated what other SDD-related entities are appropriately covered as "Receivership Entities" under Section II.J of the PI, and determined that the following five entities are covered by the subject definition: (1) Fidelity Debt; (2) Fidelity Credit; (3) Fidelity Reserve; (4) G White; and (5) Fidelity Asset Holdings. At least three of these companies – *i.e.*, Fidelity Debt, Fidelity Credit, and Fidelity Reserve – along with SDD are part of what Mr. White has termed "The Fidelity Group," according to [www.earnfidelity.com](http://www.earnfidelity.com). In addition, on that website, Mr. White has a video of himself as "President" of the companies.

I recently moved, on an unopposed basis, to expand the receivership over Fidelity Debt, Fidelity Credit, Fidelity Reserve, G White, and Fidelity Asset Holdings for the various reasons discussed in my Unopposed Motion to Expand Receivership to Include Additional Entities as Receivership Entities [DE 61]. This Court immediately granted the Motion for the benefit of the Receivership Estate [DE 62]. A summary of the reasons for expanding are below.

### **1. Fidelity Debt**

Fidelity Debt was part of “The Fidelity Group” with SDD. Mr. White owned and controlled Fidelity Debt, thus satisfying the first prong of the definition of “Receivership Entity.” In addition, Fidelity Debt provided debt settlement, debt validation and credit repair services, and also operated out of the SDD premises, thus satisfying the second prong of the definition of “Receivership Entity.” In addition, SDD paid for Fidelity Debt’s debts, such as credit card payments, and employees’ payroll through ADP. Fidelity Debt consequently participated in the transfer or receipt of assets stemming from the business activities that are the subject of the Complaint in this matter, thus additionally satisfying the second prong of the definition of “Receivership Entity.” Therefore, I determined that Fidelity Debt is properly covered as a “Receivership Entity” under the terms of the PI.

### **2. Fidelity Credit**

Fidelity Credit was also part of “The Fidelity Group.” Like SDD and the other entities, Mr. White owned and controlled Fidelity Credit, thus satisfying the first prong of the definition of “Receivership Entity.” Fidelity Credit provided credit repair services for customers seeking debt relief or related debt solutions, and also operated out of the SDD premises. Therefore, Fidelity Credit conducted a business related to the marketing of debt relief services, thus satisfying the second prong of the definition of “Receivership Entity.” In addition, SDD paid for Fidelity Credit employees’ payroll through ADP (all payroll was through SDD). Fidelity Credit consequently

participated in the transfer or receipt of assets stemming from the business activities that are the subject of the Complaint in this matter, thus additionally satisfying the second prong of the definition of “Receivership Entity.” Based on the above, I determined that Fidelity Credit is properly covered as a “Receivership Entity” under the terms of the PI.

### **3. Fidelity Reserve**

Fidelity Reserve was part of “The Fidelity Group” with SDD, Fidelity Debt, and Fidelity Credit. Like SDD and the other entities, Mr. White owned and controlled Fidelity Reserve, thus satisfying the first prong of the definition of “Receivership Entity.” Fidelity Reserve was a new company that Mr. White was starting, was also known as Fidelity Lends, and was a lead company for lenders. This company was close to becoming fully operational and was going to operate out of the SDD premises. Therefore, Fidelity Reserve conducted a business related to the marketing of debt relief services, thus satisfying the second prong of the definition of “Receivership Entity.” In addition, SDD paid for Fidelity Reserve’s debts, such as credit card payments, and employees’ payroll through ADP (again, all payroll was through SDD). Fidelity Reserve consequently participated in the transfer or receipt of assets stemming from the business activities that are the subject of the Complaint in this matter, thus additionally satisfying the second prong of the definition of “Receivership Entity.” Based on the above, I determined that Fidelity Reserve is properly covered as a “Receivership Entity” under the terms of the PI.

### **4. G White**

Mr. White owned and controlled G White, thus satisfying the first prong of the definition of “Receivership Entity.” G White was the designated d/b/a for SDD on bank accounts, paid many SDD-related expenses, was a conduit through which SDD did business, paid Mr. White’s compensation or equity distributions associated with SDD, received credit card payments from SDD, acted as an entity for Mr. White’s convenience, and paid credit cards for Mr. White, Fidelity

Debt, Fidelity Reserve and SDD. Therefore, G White conducted a business related to the marketing of debt relief services and also participated in the transfer or receipt of assets stemming from the business activities that are the subject of the Complaint in this matter, thus satisfying the second prong of the definition of “Receivership Entity.” Based on the above, I determined that G White is properly covered as a “Receivership Entity” under the terms of the PI.

### **5. Fidelity Asset Holdings**

Mr. White owned and controlled Fidelity Asset Holdings, thus satisfying the first prong of the definition of “Receivership Entity.” Fidelity Asset Holdings was a limited partnership that Mr. White created for asset-planning purposes and was funded from consumer funds and/or compensation/distributions he received for operating SDD. Therefore, Fidelity Asset Holdings participated in the receipt of assets stemming from the business activities that are the subject of the Complaint, thus satisfying the second prong of the definition of “Receivership Entity.” Based on the above, I determined that Fidelity Asset Holdings is properly covered as a “Receivership Entity” under the PI.

### **6. Transfer of New Funds**

As stated above, Fidelity Debt, Fidelity Credit and Fidelity Reserve had frozen pre-receivership accounts at Bank of America. Upon the Court-approved expansion, I promptly instructed Bank of America to transfer the frozen funds to me (for deposit in my receivership accounts for each entity), which Bank of America has done. In total, Bank of America recently transferred \$57,952.70 to me (\$2,363.10 for Fidelity Reserve, \$3,838.49 for Fidelity Credit, and \$51,751.11 for Fidelity Debt<sup>11</sup>).

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<sup>11</sup> \$51,751.11 was the amount that Bank of America transferred to me for Fidelity Debt. The original frozen amount of \$80,761.58 was reduced as a result of two prior Court-approved transfers – (1) \$17,500.00 transferred to Mr. White as part of the PI; and (2) \$17,031.46 reimbursed to SDD for payment of the October 2017 insurance premiums – and then increased by \$5,520.99 in funds

Regarding the Fidelity Asset Holdings Merrill Lynch accounts, there was \$177,749.36 in cash. I promptly instructed Merrill Lynch, through parent company Bank of America's Assistant General Counsel, to transfer the frozen cash to me (for deposit in my receivership account for Fidelity Asset Holdings), which Merrill Lynch has done.

Regarding the frozen funds of \$2,465.80 payable to Fidelity Debt at RAM, I will be instructing RAM to transfer those funds to me.

Although there are no frozen funds at any bank in the name of G White, there are assets and/or claims for G White's benefit that will be addressed as the receivership continues. Therefore, no financial institution needed to transfer any G White funds at this time.

#### **7. Liquidating the Fidelity Asset Holdings Merrill Lynch Accounts**

The fifth newly-added Receivership Entity – Fidelity Asset Holdings – had two pre-receivership WCMA accounts at Merrill Lynch. I had immediately served the TRO on Merrill Lynch on October 4, 2017 (the date I secured the business premises), and Merrill Lynch froze assets valued as of that date in the amount of \$1,041,761.00 in two WCMA accounts in the name of Fidelity Asset Holdings. As of the last produced February 2018 statements, the total amount increased to \$1,085,285.50 and consist of cash, equities, and mutual funds (as stated above, there was approximately \$178,000 in cash recently transferred to me, so the accounts consist of primarily equities and mutual funds).

Because there are equities and mutual funds, such positions must be liquidated to monetize same for the benefit of the Receivership Estate. I evaluated the mechanics and best manner to liquidate the two accounts for the benefit of the Receivership Estate, and moved to seek the Court's authority to liquidate all open positions of equities and mutual funds in the two Fidelity Asset

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from a third-party source post-receivership.

Holdings Merrill Lynch accounts using my business judgment and discretion, which this Court granted [DE 65, 66].

Despite my repeated requests, phone calls and emails (including reserving my rights to take legal action), Merrill Lynch failed to give me direct access to the subject accounts for more than one week after the Court's Order. I finally obtained access on Monday, April 9, 2018. The market had plunged on Friday, April 6, 2018, in response to potential additional tariffs with China and other factors. The market rebounded, in large part, by Tuesday, April 10, 2018, at which time I decided to liquidate all open equity and mutual fund positions to eliminate the possibility of losses from further market fluctuations and recent high volatility.<sup>12</sup> I understand that the monetized positions generated approximately \$854,000 and a final REIT position has a scheduled mid-May 2018 liquidation date, which is expected to generate an additional amount of approximately \$50,000. Despite my requested requests for transfer of these funds since last week, I have still not received from Merrill Lynch the remaining monetized funds of approximately \$854,000, but expect to receive them this week.

#### **8. Receivership Bank Accounts**

There is currently \$503,864.03 in total in the receivership bank accounts (\$268,161.97<sup>13</sup> (SDD), \$177,749.36 (Fidelity Asset Holdings), \$51,751.11 (Fidelity Debt), \$3,838.49 (Fidelity Credit), and \$2,363.10 (Fidelity Reserve)).

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<sup>12</sup> International Assets Advisory, LLC ("IAA"), a regional broker-dealer/investment advisory firm, provided access to their Chief Financial Officer, David Weinberger, to assist me and my counsel. IAA reviewed and evaluated the various securities positions in both Fidelity Asset Holdings accounts to assist me and my counsel to determine the most efficient and cost-effective manner of liquidation, as a service to the Receivership Estate free of any fees.

<sup>13</sup> This amount has decreased from the Second Report primarily because of: (1) the return of the double transfer amount of approximately \$167,000 to Banco Popular de Puerto Rico; (2) payment of the granted First Fee Application [DE 38, 55]; and (3) payment of various receivership administrative expenses.

## **D. Additional Accounts and Assets**

### **1. PayPal**

Shortly after filing my First Report, I learned that PayPal had \$2,085.00 in an account in Mr. White's name, which has been frozen.<sup>14</sup>

### **2. Rolex Watch**

During my interview of Mr. White (with his counsel present), I discovered that Mr. White owned, and was wearing at that time, a Rolex Datejust II watch. Mr. White purchased the Rolex watch for over \$6,000 in late August 2017. The Rolex was later taken post-TRO by Mr. White's ex-girlfriend, but I retook possession without any motion practice after establishing to Mr. White's ex-girlfriend's counsel that the Rolex was a receivership asset purchased with funds derived from SDD and/or its related entities. I recently moved to liquidate the Rolex for the benefit of the Receivership Estate, which the Court granted [DE 44, 46]. As further discussed below, I recently liquidated the Rolex as part of the auction for the benefit of the Receivership Estate.

### **3. Pompano Beach Townhome/Condominium**

During my interview of Mr. White, I also discovered that Mr. White owned a townhome/condominium in Pompano Beach located at 140 SE 4<sup>th</sup> Terrace, Pompano Beach, FL 33060. Mr. White purchased the property in 2016 in the amount of \$737,651.00 with funds apparently derived from SDD and/or its related entities and which subsequently had two mortgages fully satisfied by Mr. White with funds apparently derived from SDD and/or its related entities.

Because this real property is free and clear of mortgages, and was purchased with funds derived from SDD and/or its related entities, I promptly filed and recorded a Notice of Lis Pendens [DE 26] to ensure the property is not sold, mortgaged or otherwise transferred or encumbered post-

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<sup>14</sup> In addition, a PayPal account with an associated SDD username in the name of Mr. White's sister, Christy Tripp, has been frozen in the amount of \$782.53.

receivership and pending further Order of this Court. Upon further questioning, Mr. White did not identify any additional company or personal assets or accounts.

**E. Securing the Premises, Including Books and Records**

I continued to secure the relevant premises located at 3221 NW 10<sup>th</sup> Terrace, Suite 507 & 508, Oakland Park, FL 33309 and 3115 NW 10<sup>th</sup> Terrace, Suite 114, Oakland Park, FL 33309, and the books and records therein (both hard copy and voluminous ESI). My many efforts regarding securing and preserving everything within the premises were discussed in great detail in my First Report; thus, any further discussion in this Report would be duplicative. As discussed below, I recently vacated the premises on or about January 22, 2018.

**III. The Value of All Liquidated and Unliquidated Assets of the Receivership Entities**

**A. Accounts**

As stated and listed above, I learned that SDD, its related entities and Mr. White had several accounts listed above at several financial institutions.

In addition, I, through my counsel, subpoenaed several financial institutions and credit card companies, including Bank of America, Banco Popular de Puerto Rico, American Express and Merrill Lynch, for all account records, such as account statements, deposits, withdrawals, wires and account opening documents. I also subpoenaed pre-receivership law firms and accounting firms which may have relevant receivership information, including Greenspoon Marder, P.A., Blaxberg, Grayson, Kukoff & Forteza, P.A., Rosenberg, Cummings & Edwards PLLC, Snyder & Snyder, P.A., Villela & Shilts, LLC and Kaufman Rossin, P.A., for their files, billing records, any remaining retainer amounts, asset information (including onshore and potential offshore<sup>15</sup> accounts), and other related receivership documents. I have received and will continue to receive

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<sup>15</sup> There were several references to, among others, Belize and the Cook Islands in Mr. White's office at the premises. I am obviously investigating this issue.

the subpoenaed records. The subpoena productions, which have begun and will be forthcoming, will help assist me in, among other things, tracing of funds and analyzing potential third-party claims to file, namely “clawback” or fraudulent transfer claims, for recovery-based ancillary receivership litigation.

**B. Office Furniture, Fixtures, and Equipment**

I secured the office furniture, fixtures, equipment, and personalty in the various premises. I determined that the office personalty is subject to the Receivership Estate. I moved to liquidate the office personalty through an auction, which the Court granted [DE 44, 46]. Specifically, the assets for liquidation include, among other things: (1) office furniture (*i.e.*, desks, tables, chairs, wall hangings, cabinets); (2) numerous cubicles; (3) computer related items (*i.e.*, monitors, keyboards, printers, speakers, and other peripheral devices); (4) office supplies; (5) electrical equipment; (6) various tools; and (7) a Rolex Datejust II watch.<sup>16</sup> I did not liquidate any of SDD’s previously used computers, servers, or hard drives in the proposed auction if they contain electronic data. Also, I did not liquidate any of SDD’s proprietary, intellectual property assets or domain names at this time.

Specifically, the Court ordered the following: (1) the auction contract is approved; (2) additional appraisals are not necessary under 28 U.S.C. §§ 2001 and 2004 in light of the auction company’s marketing the assets and the ability for bidders to make offers at a public auction; (3) I am relieved from the statutory requirements under 28 U.S.C. §§ 2001 and 2004; (4) the auction shall commence and take place on a date and at a time as set forth in the auction contract or as when otherwise determined by me; (5) the location of the auction shall be 3221 NW 10th Terrace, Suites

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<sup>16</sup> Notably, Mr. White cooperated through his counsel in assisting me with obtaining possession of the Rolex watch, which was purchased at a wholesale price in August 2017. Mr. White did not object to its sale for the benefit of the Receivership Estate.

507, 507W, and 508, Oakland Park, FL 33309 and 3115 NW 10th Terrace, Suite 114, Oakland Park, FL 33309; (6) I am authorized and approved to sell the assets and items set forth in the motion, including those listed and described in exhibits as well as the Rolex watch, at auction using my sole discretion and free and clear of liens, encumbrances, interests or other claims; (7) I am authorized, as I may reasonably determine to be in the best interests of the Receivership Estate, to adopt rules for bidding at the auction that will better promote the goals of the bidding process and that are not otherwise inconsistent with any order of the Court, as determined by me; (8) I am authorized to sell, convey, transfer, and assign the auctioned assets to the successful bidder(s) at the auction as a final sale, “as is,” “where is,” and free and clear of liens, encumbrances, interests or other claims; (9) I am authorized and empowered to take such steps, incur and pay such costs and expenses from the Receivership Estate, and do such things as may be reasonably necessary to implement and effect the terms and requirements of this Order; (10) after the five (5) day time period to remove purchased auction items, I am authorized, if I elect to do so to: (i) wholly vacate the premises; (ii) disconnect and cancel all utilities, telephone, Internet, cable, and security systems; (iii) hire any company necessary to clean and/or repair the premises to leave it in a reasonable manner; and (iv) donate, or otherwise dispose of, any unsold auction items or Receivership Entities’ assets, if needed; (11) the Court finds that the auction and actions authorized reflect my sound business judgment and constitute a proper exercise of my fiduciary duties; and (12) a reasonable and proper opportunity to object or to be heard regarding the motion, the auction, and the sale as presented has been afforded.

I engaged an appraiser/auctioneer Martin Claire & CO, LLC to value and liquidate the personalty items. The auction occurred on January 13, 2018, and generated a gross total of

\$18,314.50 (office personalty and Rolex).<sup>17</sup> As a result, I vacated the premises expeditiously thereafter on or about January 22, 2018. I informed the premises' landlord that the Receivership Estate is not liable for any future rent. Vacating the premises has eliminated a significant expense to the Receivership Estate.

**C. Personal Items**

I am continuing to investigate what personal assets may be subject to the receivership. At a minimum, and as stated above, I confirmed that Mr. White purchased the above-discussed Rolex Datejust watch for over \$6,000 in late August 2017. As also stated above, Mr. White owns his townhome/condo in Pompano Beach free and clear, having purchased it for \$737,651.00 in 2016 and having previously paid off two mortgages on the property.

**D. Security Deposits**

I served the TRO/PI on the landlord who leased offices at the relevant premises located at 3221 NW 10<sup>th</sup> Terrace, Suite 507 & 508, Oakland Park, FL 33309 and 3115 NW 10<sup>th</sup> Terrace, Suite 114, Oakland Park, FL 33309. There was a security deposit in the amount of \$6,852.60 (representing one month's rent) and January 2018 rent was unpaid.

On several occasions, I informed the landlord and/or its counsel that the security deposit is subject to the receivership and should be split pro rata based on the days occupied by me in January 2018, which would be 71% to the landlord (January 1-January 22, or 22/31 days) and the remaining 29% to me. I also informed the landlord and/or its counsel that I, as Receiver, am not bound to pre-receivership leases and all security deposits held by the landlord are assets subject to the Court's asset freeze and immediate turnover to me. Finally, I informed the landlord and/or its

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<sup>17</sup> There were auction expenses of \$4,822.50, so the net total generated from the auction was \$13,492.00.

counsel that the receivership incurred expenses of more than \$2,000 to repair, and thus benefit, the premises as a professional courtesy to the landlord, including deep cleaning, debris removal, drywall work, ceiling tiling and labor.

Despite all of this and the landlord's counsel's apparent non-objection to these concepts, the landlord ultimately refused to remit to me any check (including the requested 29% pro rata check) and, instead, demanded that the receivership pay an additional \$1,586.82 for purported additional damages to the premises. I will not be paying the landlord any further monies and am evaluating my options with the landlord, including filing a turnover motion for the portion of the security deposit that the landlord has refused to return. However, the economics of filing a turnover motion is likely cost-prohibitive to the Receivership Estate under the circumstances.

#### **E. Defendants' Accounting of Assets**

Sections VII.A-C, XII.D, XIII.A-D, and XVI.A-B of the TRO and Sections VII.A-C, XVI.D, XX.A-D, and XXIII.A-B of the PI require Mr. White to provide, among other things, various disclosures, primarily financial in nature, to me and the FTC. Mr. White provided certain initial financial disclosures to the FTC and me, which were recently supplemented. In addition, I will be scheduling a proffer session<sup>18</sup> with Mr. White and demanding additional relevant receivership-related documents.

#### **IV. The Sum of All the Liabilities of the Receivership Entities**

##### **A. The Office Lease**

As stated above, I vacated the premises expeditiously on or about January 22, 2018, which eliminated a significant expense/liability to the Receivership Estate.

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<sup>18</sup> Mr. White's deposition scheduled in April has been continued pending settlement discussions between him and the FTC.

## **B. The Porsche Lease**

In addition to the office lease, there was a lease for a 2016 Porsche Panamera GTS that was driven by Mr. White, but leased in the names of G White (one of the Receivership Entities) and also Mr. White's mother. I continued to investigate and evaluate the best manner to have this lease cancelled, abandoned or transferred, or the Porsche vehicle sold, without liability to the Receivership Estate.

I recently located a new lessee who took over the lease. At first, Porsche refused to approve the new lessee because he was not a prior employee of G White, but I persuaded Porsche to approve the new lessee after explaining that Porsche would never recover from the Receivership Estate because the lease was a pre-receivership contract that I would never ratify. Porsche got the message and approved the new lessee, thus realizing that such was the most efficient way to resolve the situation.

## **C. Receivership Administrative Expenses**

As of the receivership's commencement, and putting aside professional fees and expenses, the receivership has continued to incur administrative expenses, including, but not limited to, monthly rent for the premises, moving expenses and storage at a secure location for hard copy files and computer equipment that must continue to be preserved, storage for the voluminous ESI that must continue to be preserved, Orna Security Services, bond premium, locksmith, appraisal reports and administrative personnel.

## **D. Forensic Reconstruction**

As stated above, and in order to assist me in marshaling the Receivership Entities' assets for the benefit of the Receivership Estate, I retained the forensic accounting firm of KapilaMukamal ("KM"). KM identified and assisted in obtaining, requesting, and reconstructing

financial records such as bank records, credit card statements, payroll records, merchant account records, and bookkeeping, tax and other professional services records.

As stated previously, the bank/cash and credit card reconstruction process is substantially complete.<sup>19</sup> The reconstructions will aid in not only quantifying the amount of consumer funds/revenues and ultimate disposition, but it will also be an integral tool for me to identify potential assets and targets of ancillary receivership demands and lawsuits for the benefit of the Receivership Estate.

### **1. Bank/Cash Reconstruction**

The bank/cash reconstruction quantifies the amount of consumer funds that were collected and to determine how the consumer funds were utilized. To gain an understanding of the cash activity, KM gained access to and utilized: (1) SDD's QuickBooks general ledger file; (2) other accounting records and emails obtained from the former accountants; (3) bank records from the Bank of America website; and (4) bank records and underlying support through the use of subpoenas. KM reconstructed the activity in the cash accounts.

The detailed bank/cash reconstruction includes: (1) 17 different bank accounts; (2) approximately 10,000 transactions; and (3) many account holders, such as SDD, Mr. White, Fidelity Credit, Fidelity Debt, Fidelity Reserve, Fidelity Asset Holdings, G White, and Student Debt Direct LLC. KM also analyzed and reconciled transfers between SDD, its related entities and Mr. White. KM discovered additional potential bank accounts and credit card accounts based on the analyses performed.

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<sup>19</sup> There are still open items and missing records from the various productions, so the reconstruction is subject to appropriate modification.

The bank/cash reconstruction not only quantifies the amount of consumer funds and ultimate disposition, but it is also a tool for me and my professionals to identify potential assets of the Receivership Estate.

**Table 1: Combined Cash Reconstruction Summary by Category<sup>20</sup>**

<b>Category</b>	<b>Sum of Receipts</b>	<b>Sum of Disbursements</b>
Auto	\$ -	\$ 46,141.20
Bank Fees, Refunds and Adjustments	5,887.21	404,366.85
Business Expense	1,300.00	312,503.42
Cash	393.45	661,295.82
Consumer Funds	13,289,275.55	240,434.01
Credit Card	7,297.49	2,311,293.56
Deposits / Checks Under Scope <sup>21</sup>	176,014.61	392,970.66
Further Investigation Required	98,200.46	220,230.35
Insurance	1,235.76	255,550.92
Investment Activity	57,427.30	21,850.25
Mortgage Payments <sup>22</sup>	-	659,910.26
Missing Detail	306,925.60	7,142.24
Other	3,633.56	22,303.29
Payroll	88,015.01	5,249,084.47
Professional Fees	15,023.45	202,608.84
Rent	-	230,780.14
Returns / Return Item Chargebacks	23,597.66	32,458.78
Taxes	-	802,953.43
Utilities	781.32	50,417.48
<b>Total<sup>23</sup></b>	<b>\$ 14,075,008.43</b>	<b>\$ 12,124,295.97</b>

<sup>20</sup> The source is the Bank Reconstruction for the period from December 24, 2013 through October 6, 2017.

<sup>21</sup> The scope of individual deposited checks and checks disbursed reviewed was \$500.

<sup>22</sup> The “Mortgage Payments” category includes loan payments and payoffs for TCF Bank Loan and Pennymac Loan Services by Gary B. White Jr.

<sup>23</sup> The “Total” is the sum prior to adding in the beginning balances, legal order balance holds and intercompany / intracompany transactions.

Beginning Balance	46,314.37	-
Legal Order Balance Holds <sup>24</sup>	-	940,928.56
Intercompany / Intracompany	13,930,914.80	13,930,914.80
<b>Grand Total</b>	<b>\$ 28,052,237.60</b>	<b>\$ 26,996,139.33</b>

## 2. Consumer Loss

KM quantified the consumer loss based on the cash reconstruction analysis. The following is a summary of the consumer receipts and disbursements by receivership bank account. The net consumer loss, the receivership’s main source of funds, totals over \$13 million. The consumer loss includes consumer funds collected directly from consumers and funds received through merchant services accounts (see the merchant account section directly below). The disbursements to consumers comprise of chargebacks and returns.

**Table 2: Consumer Loss Summary by Account<sup>25</sup>**

Account Name	Bank ID	Sum of Receipts	Sum of Disbursements	Net
Student Debt Doctor LLC	BOA-8798	\$ 31,448.45	\$ 2,215.00	\$ 29,233.45
Student Debt Doctor LLC	BP-4938	3,813,841.82	16,934.42	3,796,907.40
G White Enterprises LLC DBA CLG	BOA-1714	89,360.50	375.00	88,985.50
G White Enterprises LLC DBA SDD	BOA-8228	9,127,737.83	219,556.39	8,908,181.44
Fidelity Debt Reserve, LLC	BOA-4581	226,886.95	1,353.20	225,533.75
<b>Grand Total</b>		<b>\$ 13,289,275.55</b>	<b>\$ 240,434.01</b>	<b>\$ 13,048,841.54</b>

## 3. Credit Cards

KM analyzed American Express credit card statements for three business accounts and for Mr. White’s personal account.<sup>26</sup> The American Express credit card statements collectively

<sup>24</sup> The “Legal Order Balance Holds” category include the Bank of America account frozen amounts.

<sup>25</sup> The source is the current cash reconstruction.

<sup>26</sup> These credit cards were in the names of SDD, Fidelity Debt, Fidelity Law Center LLC, and Mr. White.

included over 6,000 transactions. The payments made by SDD and its related entities to the American Express credit cards were compared to the credit card records to determine which cards were being paid. In addition, KM completed, analyzed and summarized a reconstruction of the five Bank of America credit card accounts, which included over 1,600 transactions.<sup>27</sup>

Disbursements to credit cards totaled over \$2.3 million. The credit card reconstructions quantify the amount of consumer funds that were used to make credit card payments and what types of charges were made on the cards. This analysis will be used to identify potential assets, namely through ancillary fraudulent transfer or “clawback” claims, of the Receivership Estate.

#### **4. Payroll Records**

SDD utilized ADP payroll service to process payroll. I took custody of available ADP payroll records that were accessible on the ADP website. These available records spanned the pay periods ending February 9, 2017 through September 29, 2017. KM extracted payroll summary and detail reports for this period. Records prior to the February 9, 2017 pay period have been subpoenaed from ADP. The lists from ADP contain 86 active employees and 5 contractors.

I have received a partial subpoena production from ADP regarding payroll activity and anticipate receiving the remaining production in the near future.

#### **5. Merchant Accounts**

SDD and some of its related entities utilized merchant accounts to process payments from consumers. I identified merchant accounts with American Express, Myclientline.net, Authorize.net, Evertec, PayPal, Banco Popular de Puerto Rico, Bank of America Merchant Services, First Data, Reliant Account Management, and ensured each was served with the TRO/PI

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<sup>27</sup> These credit cards were in the names of SDD, G White, and Fidelity Reserve.

so any funds or reserves remaining in the merchant accounts would be frozen.<sup>28</sup> For accounts with known client login information, all available activity details were obtained from the merchant websites. Subpoenas have been issued for additional records. KM analyzed available merchant account records which detail consumer deposits, and merchant account data was compared to bank records and utilized in the reconstruction of cash activity.

## **6. Tax Filings**

KM will be performing the necessary tax filings for the Receivership Entities for prior tax years, including 2017, and future tax years. KM prepared forms 1099-MISC, 1096 and 56, and prepared extensions for 2017 for the Receivership Entities.

At my request, and free of charge, ADP provided me with all the W-2s and 1099s for SDD for tax year 2017. I then mailed them to SDD's former employees and independent contractors at their last known address on or before January 31, 2018.

## **V. The Steps I Intend to Take in the Future to: (a) Prevent Any Diminution in the Value of Assets of the Receivership Entities, (b) Pursue Receivership Assets from Third Parties, and (c) Adjust the Liabilities of the Receivership Entities, If Appropriate**

### **A. Prevent Any Diminution in the Value of Assets of the Receivership Entities**

As state above, I have cancelled or otherwise eliminated lease agreements without penalty to the Receivership Estate. As also stated above, I have vacated the various premises, which eliminated a continuing, significant leasehold liability and thus eliminated a diminution in value of assets of the Receivership Estate.

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<sup>28</sup> Mr. White and others informed me that there were never reserves held at the merchant companies. Naturally, I will be confirming same.

**B. Pursue Receivership Assets from Third Parties**

I will continue to investigate the number of affected consumers and the amount of their individual claims. This investigation includes the total number of consumers, the total amount of their loss, and potential litigation targets. The databases/servers preserved and imaged by Vultr, as well as my accountants' reconstruction of the relevant bank accounts, will be highly relevant for purposes this specific investigation.

The amount of data from the bank records and CRM from the various databases/severs is very substantial and will take some time to analyze and digest. I will continue to be very mindful of the issue of expenses and the necessity for efficiency and limiting expenses as much as possible in every aspect of this proceeding, including investigating and filing ancillary lawsuits for additional recoveries to benefit the Receivership Estate. I intend to make every decision with a cost-benefit analysis of the specific spending versus the specific potential recovery, on a case-by-case basis.

I will continue to identify targets, including claims against various persons and business entities that improperly received funds derived from SDD and/or its related entities or otherwise did something improper to the detriment of SDD and/or its related entities.<sup>29</sup> I will be serving pre-suit demand letters on identified targets, which may result in ancillary lawsuits. For the time being, I will not be identifying those targets for purposes of attorney-client privilege and work product.

**C. Adjust the Liabilities of the Receivership Entities, If Appropriate**

I have made significant progress reconstructing the financial and/or operational structure of SDD and its related entities, including the total amount of liabilities owed by them and making

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<sup>29</sup> Pursuant to 28 U.S.C. § 754, I filed the TRO/PI in various jurisdictions where receivership assets are located, or may be located, to ensure federal receivership jurisdiction over same.

any necessary adjustments to their liabilities. I will continue to report on this issue in future Reports.

**VI. Whether the Business of the Receivership Entities Can Be Operated Lawfully and Profitably**

Based on my investigation to date, which is still ongoing, it is still my conclusion that Mr. White used SDD and related entities he owned and/or controlled to operate deceptive student debt relief and other deceptive debt relief businesses to the detriment of consumers and to enrich himself personally and others. However, a more extensive investigation is necessary so that I can expound on this seminal issue in my future Reports.

Given the entry of the PI, including, but not limited to, Section I.B, Defendants have expressly stipulated that “[t]here is good cause to believe that Defendants have engaged in and are likely to engage in acts or practices that violate Section 5(a) of the FTC Act, 15 U.S.C. § 45(a) and the FTC’s Trade Regulation Rule entitled the ‘Telemarketing Sales Rule’ (“TSR”), 16 C.F.R. Part 310, and therefore Plaintiff is likely to succeed on the merits of this action.” As a result, Defendants have preliminarily conceded that the subject business could not be operated lawfully and profitably in compliance with the TRO or PI.

Notwithstanding the above stipulated admission by Defendants, I inspected the books and records on the premises, reviewed sales scripts on the premises and listened to certain recorded phone conversations between telemarketers and consumers (including certain ones stored on Mr. White’s business computer), and preliminarily conclude that SDD’s and its related entities’ business operations were non-compliant with the law. For example, scripts instructed telemarketers to “push” an inaccurate definition of family size and one example read: “Family Size- (Push if needed) Your family size isn’t your dependents on your taxes. It’s anyone that you

partially financially help. Niece, Nephew, cousin, sick mother or father. Anyone that takes away from your ability to make a monthly payment.”

Similarly, I personally listened to recorded phone conversations in which telemarketers pushed this inaccurate definition of family size, including grown children and grandchildren. I also learned through interviewing employees and reviewing company communications that it was understood by certain employees that when the colloquial phrase “bump family size” was used, it indicated that the salesperson should falsely inflate the number of family members to effectively lower the consumers’ monthly loan payment.

Other scripts had, among other things, the same or similar inaccurate definition of family size, contained deceptive pre-qualifying language, removed language that informed the consumer of his/her rights, and represented that SDD was only paid after obtaining results. Similarly, there were materials on the premises stressing the importance of fear-based sales to pressure consumers and ultimately capitalize on their fears.

**VII. Any Other Matters Which I Believe Should Be Brought to the Court’s Attention**

My overall investigation is still early – being approximately six (6) months old – and will be ongoing for many months. I will supplement this Third Report with my Fourth Report 90 days from now.



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Robert Carey, not individually,  
but solely in my capacity as Receiver

Dated: April 16, 2018