

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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**SIXTH 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 Sixth 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, my Second Report [DE 52-1] on January 16, 2018, my Third Report [DE 70-1] on April 16, 2018, my Fourth Report [DE 79-1] on July 16, 2018, and my Fifth Report [DE 92-1] on October 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 prior five Reports, as well as below, my professionals and I have accomplished much for the benefit of the Receivership Estate and consumers since my appointment approximately 15 months ago in October 2017. Such accomplishments, which are 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>;
- x. Running preliminary queries on the SDD CRM for consumer payments (*i.e.*, revenue) into the company, which total approximately \$13.4 million;

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<sup>2</sup> As stated previously, there are 1,710,077 call files in MP3 format of 614 gigabytes.

<sup>3</sup> As stated previously, and 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.

- 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>4</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 pre-suit demands and/or 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 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>5</sup>;

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<sup>4</sup> The receivership website and voicemail messages continue to include content in both English and Spanish (many customers only speak Spanish and/or are located in Puerto Rico).

<sup>5</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

- 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 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>6</sup>;
- xxiv. Communicating by email and telephone calls with countless consumers<sup>7</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;

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were materials on the premises stressing the importance of fear-based sales to pressure consumers and ultimately capitalize on their fears.

<sup>6</sup> Items that I have continued to preserve include 33 file boxes, seven computer servers, multiple hard drives, multiple thumb drives, and 145 computers corresponding to office schematics.

<sup>7</sup> This is not surprising because there were more than 30,000 consumers.

- 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;
- xxxi. Investigating and confirming that \$156,330.92 at Reliant Account Management ("RAM")<sup>8</sup> was owned by the Fidelity Debt/RAM customers in segregated "trust" accounts in each Fidelity Debt/RAM customer's name. I determined that such funds of \$156,330.92 are not captured under the express terms of the PI, do not constitute receivership funds/property, and should be returned to the appropriate customers. Therefore, I filed my Unopposed Motion for Authority to Unfreeze and Transfer Funds Previously Frozen by Reliant Account Management [DE 74], which the Court granted [DE 76]; and
- xxxii. Investigating potential targets for purposes of ancillary receivership litigation for the benefit of the Receivership Estate and consumers.

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<sup>8</sup> RAM processed payments to/from customer accounts, made disbursements as directed, and provided online transactions and accounting information for debt settlement companies, such as Fidelity Debt.

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

### **1. Pre-Receivership Accounts**

In my prior Reports, I listed the various pre-receivership bank accounts in the names of the various Receivership Entities that were frozen as a result of the TRO/PI. I will not continue to list all those pre-receivership accounts because the funds in such accounts have been repeatedly discussed and such accounts are no longer open because such remaining funds have been transferred to me as Receiver.

### **2. Receivership Bank Accounts**

There is currently \$1,262,776.70 in total in segregated receivership bank accounts (\$119,611.57<sup>9</sup> (SDD), \$1,082,746.63 (Fidelity Asset Holdings), \$54,216.91 (Fidelity Debt), \$3,838.49 (Fidelity Credit), and \$2,363.10 (Fidelity Reserve)).

Below is a table of the Receivership Estate account balances:

<b>Account</b>	<b>Balance</b>
SDD	\$119,611.57
Fidelity Asset Holdings	\$1,082,746.63
Fidelity Debt	\$54,216.91
Fidelity Credit	\$3,838.49
Fidelity Reserve	\$2,363.10
<b>Grand Total</b>	<b><u>\$1,262,776.70</u></b>

### **3. The Remaining Personal Accounts and Assets**

#### **i. Mr. White's Personal Bank of America Account**

As stated previously, Bank of America froze \$354,808.40 in the name of Mr. White pursuant to the TRO. Because the funds are in Mr. White's name personally, I previously did not

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<sup>9</sup> This amount has decreased from the Fifth Report because of payments of various receivership administrative expenses.

demand their turnover. Pursuant to the recent settlement between Defendants and the FTC, which was memorialized in the recently-issued November 30, 2018 Stipulated Order for Permanent Injunction and Monetary Judgment (the “Stipulated Order”) [DE 94], namely under Section VI.B.2.a of the Stipulated Order, Bank of America will transfer this amount of \$354,808.40 to the FTC.

**ii. Mr. White’s Personal TD Ameritrade Account**

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 pursuant to the PI. Like the Bank of America personal funds, because the funds at TD Ameritrade are in Mr. White’s name personally, I previously did not demand their turnover. Like the personal funds in the Bank of America account discussed above, pursuant to Section VI.B.2.b of the Stipulated Order, TD Ameritrade will transfer this amount of \$50,000.00 to the FTC.

**iii. Mr. White’s Personal PayPal Account**

Shortly after filing my First Report, I learned that PayPal had \$2,085.00 in an account in Mr. White’s name, which has also been frozen pursuant to the PI.<sup>10</sup> Like the personal funds in the Bank of America and TD Ameritrade accounts discussed above, pursuant to Section VI.B.2.c of the Stipulated Order, PayPal will transfer this amount of \$2,085.00 to the FTC.

**iv. Mr. White’s Pompano Beach Townhome/Condominium**

During my initial interview of Mr. White, I 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

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<sup>10</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. Given the Stipulated Order, the FTC and I have no objection to releasing this account, and the minimal funds within, back to Ms. Tripp.



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-receivership and pending further Order of this Court.

Like the personal accounts at Bank of America, TD Ameritrade and PayPal, the disposition of Mr. White's property was determined under Section VI.B.3 of the Stipulated Order, which required Mr. White to, among other things, (i) deed the property to me to sell for the benefit of the Receivership Estate; (ii) vacate the property; and (iii) pay all expenses associated with the property prior to deeding the property to me. The Stipulated Order required Mr. White to deed and vacate the property within 14 days, but the FTC and I provided Mr. White an extension of time as a professional courtesy. I will be discussing with Mr. White his options, including renting the property from me in the interim of selling the property or alternatively promptly vacating the property.

I will be marketing the property, and upon entering a sales contract with an appropriate buyer, file a motion to approve the sale of the property pursuant to 28 U.S.C. §§ 2001 and 2002, the relevant federal statutes governing private sales of real property by a federal receiver.<sup>11</sup> To

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<sup>11</sup> 28 U.S.C. §§ 2001(b) and 2002 allow a receiver to privately sell real property after a statutory-required hearing as long as:

- (a) the sale is for at least two-thirds of the appraised value of the property;
- (b) the appraised value of the property was established by three disinterested persons appointed by the Court to appraise the property;
- (c) the Court finds that the sale serves the best interests of the receivership estate; and

assist me in marketing and ultimately selling the property, I have engaged Mr. Matthew Ferency, a broker and realtor employed by Illustrated Properties (“IPRE”), to list and market the property for sale.<sup>12</sup> IPRE, a member of the Keyes Family of Companies, is the leader in the real estate industry here in South Florida. IPRE has been in operation for almost 100 years and is a shareholder in Leading Real Estate Companies of the World® - a global network of more than 550 premier real estate firms encompassing 4,000 offices and over 128,000 sales associates in 55+ countries around the world, of which Keyes is a Founding Member and Shareholder.

Mr. Ferency has been an agent with IPRE since 2003 and has been a Top Producing agent every year during that period. Mr. Ferency has represented dozens of buyers and sellers of homes in the South Florida area, including real property in other receiverships. I have negotiated, and Mr. Ferency agreed to, a reduced seller’s sales commission of 2.5% as opposed to the industry standard of 3.0% for either buyer or seller. Mr. Ferency intends to aggressively market the property, including advertising the property on numerous online websites, including, but not limited to: Realtor.com; Homeaway.com; Homesandland.com; Zillow.com; Redfin.com; and Trulia.com.

Finally, I have engaged three, disinterested experienced appraisers to appraise the property. The three appraisals, which I anticipate receiving in the next few days, will assist me in

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(d) the terms of the proposed private sale are published in a newspaper of general circulation once a week for four (4) weeks.

Notwithstanding satisfaction of the foregoing requirements, and pursuant to 28 U.S.C. § 2001(b), the Court cannot approve the proposed sale to the buyer if a separate, bona fide offer to purchase the property for at least 10% more than the buyer’s proposed, published price is received in writing.

<sup>12</sup> I have worked with Mr. Ferency in several other federal receiverships in which Mr. Ferency was the receiver’s realtor and sold several receivership properties. Therefore, Mr. Ferency is very familiar with, and thus highly-qualified in explaining to potential buyers, the relevant federal statutes and overall procedure governing the sale of receivership property.

determining the proper listing price and also the ultimate acceptable sales price of the property. I anticipate listing the property for sale in the next week.<sup>13</sup>

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

#### **A. Accounts**

As stated above and in my prior Reports, I learned that SDD, its related entities and Mr. White had several accounts at several financial institutions, all of which were frozen and the funds of which (other than Mr. White's accounts) have been transferred to the receivership.

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 have relevant receivership information. The subpoena productions assisted me in, among other things, tracing of funds and analyzing potential third-party demands to make or claims to file, namely "clawback" or fraudulent transfer claims, for recovery-based ancillary receivership litigation.

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

As stated in my prior Reports, I secured the office furniture, fixtures, equipment, and personalty in the various business 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 included, among other things: (1) office furniture (*i.e.*, desks, tables, chairs, wall hangings, cabinets); (2) numerous cubicles; (3)

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<sup>13</sup> I have and will continue to maintain the property, including insuring the property and refurbishing normal "wear and tear" items to maximize the opportunity for an efficient and quick sale.

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>14</sup> I did not liquidate any of SDD's previously used computers, servers, or hard drives in the proposed auction if they contain ESI. Also, I did not liquidate any of SDD's proprietary, intellectual property assets or domain names at this time.

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. 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 counsel that the receivership incurred expenses of more than \$2,000 to repair, and thus benefit, the

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<sup>14</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.

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. As stated previously, I will not be paying the landlord any further monies and am still 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.

#### **D. 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 later supplemented. In addition, Mr. White attended a proffer session with me and my counsel in August regarding current receivership-related issues.

### **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.

#### **B. The Porsche Lease**

As stated previously, 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 located a new lessee who took over the lease, and 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. My efforts ensured that the lease was transferred without liability to the Receivership Estate.

**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, storage at a secure location for hard copy files and computer equipment that must continue to be preserved and storage for the voluminous ESI that must continue to be preserved.

**D. Forensic Reconstruction**

As stated previously, 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, bookkeeping records, tax records, and other professional services records.

As stated previously, the bank/cash and credit card reconstruction process is substantially complete.<sup>15</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.

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<sup>15</sup> There are still open items and missing records from the various productions, so the reconstruction is subject to appropriate modification.

**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.

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>16</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

<sup>16</sup> The source is the Bank Reconstruction for the period from December 24, 2013 through October 6, 2017.

Deposits / Checks Under Scope <sup>17</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>18</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>19</sup></b>	<b>\$ 14,075,008.43</b>	<b>\$ 12,124,295.97</b>
Beginning Balance	46,314.37	-
Legal Order Balance Holds <sup>20</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

<sup>17</sup> The scope of individual deposited checks and checks disbursed reviewed was \$500.

<sup>18</sup> The "Mortgage Payments" category includes loan payments and payoffs for TCF Bank Loan and Pennymac Loan Services by Gary B. White Jr.

<sup>19</sup> The "Total" is the sum prior to adding in the beginning balances, legal order balance holds and intercompany / intracompany transactions.

<sup>20</sup> The "Legal Order Balance Holds" category include the Bank of America account frozen amounts.



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>21</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>22</sup> The American Express credit card statements collectively 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>23</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.

<sup>21</sup> The source is the current cash reconstruction.

<sup>22</sup> These credit cards were in the names of SDD, Fidelity Debt, Fidelity Law Center LLC, and Mr. White.

<sup>23</sup> These credit cards were in the names of SDD, G White, and Fidelity Reserve.

#### **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, RAM, and ensured each was served with the TRO/PI so any funds or reserves remaining in the merchant accounts would be frozen. 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 continue to perform 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, prepared extensions for 2017 for the Receivership Entities, and filed tax returns for 2017 for the Receivership Entities. KM will be doing the same in the coming months for tax year 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**

I have cancelled or otherwise eliminated lease agreements without penalty to the Receivership Estate. I vacated the various premises in early 2018, which eliminated a continuing, significant leasehold liability and thus eliminated a diminution in value of assets of the Receivership Estate.

**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 this proceeding, including investigating and filing ancillary lawsuits for additional recoveries to benefit the Receivership Estate. I will continue 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>24</sup> I have already served

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<sup>24</sup> Pursuant to 28 U.S.C. § 754, I filed the TRO/PI in various jurisdictions where receivership

at least one pre-suit demand letter on a receivership target, which I contend received fraudulent transfers from certain Receivership Entities.

**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 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, 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.<sup>25</sup> In addition, the Stipulated Order is further proof that SDD and the related entities that Mr. White

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assets are located, or may be located, to ensure federal receivership jurisdiction over same.

<sup>25</sup> For example, 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). 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.

owned and/or controlled, indeed, operated deceptive student debt relief and other deceptive debt relief businesses to the detriment of consumers.

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

Under Section XI of the Stipulated Order, the Receivership should terminate, barring an extension of time for good cause, within 120 days after the Order's entry on November 30, 2018, meaning on or before Monday, April 1, 2019 (the 120<sup>th</sup> day is technically on Saturday, March 30, 2019). I will work efficiently toward fulfilling my final remaining duties as Receiver, including selling Mr. White's property (pursuant to a motion to approve such sale) and settling with or suing third-parties that received fraudulent transfers derived from the Receivership Entities (also, pursuant to motion(s) to approve such settlement(s)). I will supplement this Sixth Report with my Seventh Report on or before the Receivership deadline of April 1, 2019, or if there is an extension of time, 90 days from now (*i.e.*, on or about April 16, 2019).

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

Dated: January 16, 2019