

IN THE CIRCUIT COURT OF THE 15TH  
JUDICIAL CIRCUIT IN AND FOR  
PALM BEACH COUNTY, FLORIDA

OFFICE OF THE ATTORNEY GENERAL,  
DEPARTMENT OF LEGAL AFFAIRS,  
STATE OF FLORIDA,

CASE NO. CL 00-00067 AB

Plaintiff,

vs.

PROFESSIONAL RESOURCES SYSTEMS  
INTERNATIONAL, INC., a/k/a PRSI, INC.;  
WILLIAM CAUDELL a/k/a BILL CAUDELL  
and BILLY CAUDELL; LESTER "GIL"  
GILLESPIE; SALVATORE ARGENTO;  
JOSEPH ROTUNNO, BEN TOBIN  
a/k/a BEN TABINI, and CITX CORPORATION,  
and BERNARD ROEMMELE,

Defendants.

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**REPORT OF THE RECEIVER FOR THE PERIOD  
APRIL 1, 2001 THROUGH JUNE 30, 2001**

**I. INTRODUCTION**

This is the fifth report filed by the Receiver and covers the period April 1, 2001 through June 30, 2001 (the "Reporting Period"). The previous reports should be read in conjunction with this report to gain a full understanding of the history of this receivership<sup>1</sup>. The previous reports provide, among other things, a background of this case, discussion regarding significant earlier events, and a summary of Professional Resources Systems International, Inc.'s ("PRSI's") receipts and disbursements. <http://www.prsiinc.com>.

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<sup>1</sup> The previous reports cover the periods of: January 5, 2000 through April 30, 2000; May 1 through July 31, 2000; August 1 through December 31, 2000; and January 1 through March 31, 2001 and they are on file with the clerk of the court and are also available on the Receiver's web site, at [www.prsiinc.com](http://www.prsiinc.com).

**II. ACTIVITY SINCE APRIL 1, 2001**

A. Recovery of Money During the Reporting Period

The Receiver was successful in recovering funds for the receivership estate as follows:

1.  
CitX  
Corporation

\$50,000.00<sup>2</sup>

Total ..... **\$ 50,000.00**

The Receiver's bank balance as of June 30, 2001 was \$3,163,332.90, including all estate

funds. Attached hereto as Exhibit "A" is the Statement of Cash Inflows and Outflows

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<sup>2</sup>As part of a settlement agreement reached with CitX Corporation, on February 1 and March 1, 2001 the Receiver, through counsel, received two initial payments of \$25,000.00 each. These payments were received during the previous reporting period and placed in the Receiver's counsels' trust account pending the Palm Beach County Circuit Court's April 5, 2001 Order approving the settlement agreement. These payments were disbursed to the Receiver during the Reporting Period.

for the Reporting Period. B. Receiver's Continuing Investigation

In the search for money and other assets of the receivership estate, the Receiver continues his ongoing investigation of PRSI's business relationships with various individuals and business entities located throughout North America. Additionally, the Receiver has directed his consultants and attorneys to continue their investigations and analysis of the books and records of third parties in anticipation of possible litigation against these parties.

C. Receiver's Communications With PRSI Members and Others

The Receiver continues to maintain a web site [www.prsiinc.com](http://www.prsiinc.com). The Receiver posts on the web site various information such as court orders, notices and press releases which the Receiver believes to be most informative to PRSI's customers and other interested persons. To date, there have been approximately 72,900 hits on this web site. In addition, the Receiver is committed to responding to each PRSI member's questions on a one-to-one basis. Therefore, the Receiver's staff has reviewed each e-mail received at [prsi@lbfmiami.com](mailto:prsi@lbfmiami.com) and responded to all inquiries.

D. Receiver's Compliance with Terms of Receivership

The Receiver is filing a Notice of Waiver of Payment of Receiver's Fees and Expenses for Period of April 1, 2001 through June 30, 2001 contemporaneously herewith. In addition, the Receiver was involved in the filing of his Motion For Order Ratifying Payment of Receiver's Forensic Accountants' Fees and Expenses, Motion for Order Ratifying Payment of Receiver's Attorneys' Fees and Expenses, Applications for the Compensation of the Receiver's Pennsylvania Counsel, and Motion for Order Authorizing Payment of Certain Outside Professionals' Fees from July 31, 2000 through June 30, 2001<sup>3</sup>. Furthermore, pursuant to paragraph 10, of the January 13

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<sup>3</sup>These motions and applications were filed pursuant to paragraph 12 of this Court's January

Order, on April 20, 2001, the Receiver filed his report covering the period January 1, 2001 through March 31, 2001.

Pursuant to paragraph 9(j) of the January 13 Order, the Receiver shall establish a procedure for creditors of PRSI to file claims, and shall examine the validity and priority of all claims against PRSI which claims shall be finally determined by the Court. The Receiver continues to explore claims procedures options, and once his investigation is complete, and he has collected and liquidated the assets of the receivership estate, the Receiver will establish a claims procedure and/or seek court approval regarding treatment of claims.

### **III. LEGAL ISSUES**

#### **A. The Receiver's Case Against CitX:**

During the previous reporting period, the Receiver finalized a Mutual General Release and Complete Settlement Agreement (the "Agreement") to resolve the lawsuit he brought in Bucks County, Pennsylvania (the "Bucks County Lawsuit"), against Defendants CitX Corporation ("CitX"), Bernard Roemmele, Frank Garone, Bruce Tuite, and Richard Marks (collectively "CitX" and the enumerated individual defendants will be referred to as the "CitX Defendants"). The Agreement was approved by this Court during the Reporting Period. Pursuant to the Agreement, judgment in the amount of \$700,000.00 was entered in favor of the Receiver against CitX and Bernard Roemmele ("Roemmele"), jointly and severally.

Pursuant to the Agreement, CitX and Roemmele were also afforded the opportunity to satisfy the judgment in return for a \$300,000.00 payment. The Agreement required CitX and

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13, 2000 Order Granting Motion of Receiver to Set Terms of Receivership (the "January 13 Order") and this Court's subsequent February 7, 2001 Order Granting in Part and Denying in Part Receiver's Motion for Further Instruction Regarding Certain Fee Issues.

Roemmele to timely make a total of twelve successive monthly payments of \$25,000.00, on or before the first of each month, commencing February 1, 2001. CitX and Roemmele made the February and March, 2001 payments; however, they failed to make the April 2001 payment. As a result, the Receiver directed his counsel to issue a written notice of default. No further payments to cure the default were made by CitX or Roemmele, therefore on May 7, 2001, the Receiver began executing on his judgment.

The Receiver has aggressively pursued collection efforts. He immediately directed counsel to levy on CitX and Roemmele's bank accounts and personal property and to take discovery in aid of execution. Attached as Exhibit "B" to this report is a list of discovery the Receiver has taken or participated in during the Reporting Period. The Receiver also noticed the deposition of various banks used by CitX and Roemmele, whose documents revealed that CitX and Roemmele had additional bank accounts in Pennsylvania and that over the past two years, millions of dollars have passed through those accounts. On June 5, 2001, the Receiver noticed the deposition in aid of execution of Robert Schoen, CitX's certified public accountant. Claiming the accountant-client privilege, CitX's and Roemmele's counsel objected to the deposition and instructed Mr. Schoen not to appear for the same. In addition, on June 6, 2001, CitX and Roemmele filed a Motion to Stay and/or Set Aside Execution. The Receiver directed his counsel to file an Emergency Motion to Compel Mr. Schoen's Deposition and to file a response in opposition to the Motion to Stay. In the interim, representatives of CitX and Roemmele refused the Bucks County Sheriff access to the CitX offices and Roemmele's home. (The Sheriff required access to the properties to levy on all personal property). As a result, the Receiver directed his counsel to file Emergency Motions for

Break and Enter Orders at both locations.

A hearing on (1) the Receiver's Emergency Motion to Compel the Deposition of Mr. Schoen; (2) CitX's and Roemmele's Motion to Stay and/or Set Aside Execution; and (3) the Receiver's Emergency Motion for Break and Enter Orders was held on June 12, 2001. The Receiver obtained an Order from the Bucks County Court requiring CitX and Roemmele to permit entry into the CitX offices and Roemmele's home by officers of the Bucks County Sheriff's Office to complete the personal property levy. The Bucks County Court Order further enjoined Defendants CitX and Roemmele from "transferring, removing, conveying, assigning or otherwise disposing of property subject to execution." The Court also compelled the depositions of CitX, Roemmele and CitX's certified public accountant. Roemmele was deposed on June 20, 2001, however, he failed to produce any documents responsive to his Notice of Taking Deposition in Aid of Execution. Moreover, Roemmele stated that he was the subject of a criminal investigation and repeatedly invoked his Fifth Amendment privilege against self incrimination, refusing to answer various questions regarding CitX's and his finances. Mr. Roemmele agreed however, to produce the requested documents by July 10, 2001 and schedule his continued Deposition in Aid of Execution for July 17, 2001.

Also as a result of the June 12 hearing and in a final attempt to settle the matter with the Defendants CitX and Roemmele, on June 20, 2001, the Receiver negotiated a subsequent agreement (the "June 20 Agreement") with CitX and Roemmele. So as not to prejudice the rights of the Receiver, the June 20 Agreement further provided for the Sheriff to enter CitX's and Roemmele's properties to levy on personal property items and required CitX and Roemmele to cooperate with

the Receiver's discovery in aid of execution. Pursuant to the June 20 Agreement, CitX and Roemmele were afforded another opportunity to have the judgment satisfied in return for a \$250,000.00 payment on or before June 29, 2001. CitX and Roemmele once again, failed to make payment as agreed and the Receiver has been left with no alternative but to continue to pursue all of his rights and remedies as provided by the original Agreement and the laws of Pennsylvania.

The levy on CitX 's and Roemmele's property occurred on July 1, 2001. A sheriff's execution sale of the personal property levied on was scheduled for July 19, 2001.

Prior to the filing of this report, CitX filed a voluntary petition for Chapter 11 bankruptcy in the Eastern District of Pennsylvania, *In re CitX Corporation*, Case No. 01-19604, and Roemmele filed a voluntary petition for Chapter 13 bankruptcy in the Eastern District of Pennsylvania, *In re Bernard A. Roemmele*, Case No. 01-30226. The Receiver continues to advance his cause in those cases.

B. The State's Case Against CitX:

During the previous reporting period, the Florida Attorney General's Office, CitX and Roemmele finalized a Consent Judgment which was approved by this Court on April 5, 2001. The Consent Judgment provides, among other things, that CitX and Roemmele will comply with all applicable provisions of Chapter 501, Part II, Florida Statutes (1997 and 1999), the Florida Deceptive and Unfair Trade Practices Act, as well as the provisions of Section 849.091, Florida Statutes (1997 and 1999), the pyramid statute. CitX and Roemmele further agreed to refrain from, among other

things: (1) engaging in any business or activity with any of the individuals who owned, operated and/or ran PRSI, Inc; (2) participating and/or engaging in any commercial activity with any persons or entities who were members of PRSI; (3) soliciting or initiating contact with former PRSI members; and (4) making any misrepresentations to consumers. Furthermore, the Consent Judgment provides a monetary judgment coextensive with the judgment the Receiver has negotiated with CitX and Roemmele as set forth above. C. The State's Case Against the

Original Defendants:

1. On May 22, 2001, the United States Attorney filed an Information against the Defendant, William Caudell for among other things, violating Title 18, United States Code, Sections 1341, 1342 and 1343, Conspiracy to Commit Mail and Wire Fraud, and Title 18 United States Code, Sections 1343.S.C. 1856(h), Conspiracy to Launder Monetary Instruments.

2. During the Reporting Period, the Florida Attorney General's Office filed a Renewed Motion for Partial Summary Judgment against Defendants William Caudell, Lester "Gil" Gillespie and Joseph Rotunno. Previously, on December 10, 2000, the Court entered an Order Granting the Attorney General's Motion for Partial Summary Judgment (the "December 10 Order") against PRSI, finding PRSI operated as a pyramid scheme in violation of Section 849.091, Florida Statutes, and that PRSI operated as a Ponzi scheme. The Motion was denied as to Defendants William Caudell, Lester "Gil" Gillespie and Joseph Rotunno. On June 14, 2001, this Court once again entered an Order denying summary judgment as to these individual Defendants.

The Defendant PRSI had previously filed a Notice of Appeal from the Court's

December 10 Order for Partial Summary Judgment. During the Reporting Period, the Fourth District Court of Appeals issued a notice of dismissal for lack of prosecution. As of the date of this filing, the appeal has been dismissed.

D. Oklahoma Class Action:

The Receiver has continued to assist his counsel in the case of George Dillman v. Lewis Freeman, et al., in the United States District Court for the Western District of Oklahoma, Case No. CV-00-1202-T. Mr. Dillman, who had purchased a Small Office/Home Office system (“SOHO”) from PRSI, brought suit for numerous alleged violations, including pyramid scheming. On June 21, 2001, the Court in that case entered an Administrative Closing Order directing the Clerk of Court to administratively terminate the case without prejudice to the rights of the parties to reopen the same for good cause shown. The Court’s Order further provided that if within 150 days after June 21, 2001, the parties to that case have not reopened the same for purposes of obtaining a final determination, the case will be deemed to be dismissed with prejudice.

#### **IV. ASSET RECOVERY & MAINTENANCE**

##### **A. PRSI Vehicles:**

During the previous reporting period, the Receiver's counsel negotiated with counsel for the Boca Raton Police Services Department and counsel for defendants William Caudell and Lester "Gil" Gillespie for the turn-over of two luxury automobiles<sup>4</sup>. In February of 2000 the Boca Raton Police Services Department filed two civil forfeiture actions regarding the two automobiles in the Circuit Court of Palm Beach County, titled In re the City of Boca Raton v. William Caudell, Case No. CL 00-01290 AD and In re the City of Boca Raton v. Lester Gillespie, Case No. CL 00-1068 AH. During the Reporting Period, Orders were entered in the above-captioned cases, dismissing the cases and providing for the transfer of the vehicles to the Receiver. The Receiver has taken possession of these vehicles and has engaged a professional to sell the same for the benefit of the receivership estate.

##### **B. Wachovia Bank:**

The Receiver, through counsel, continues to assert a claim regarding a forgery that occurred in the PRSI Wachovia Bank checking account, prior to the Receiver's appointment.

#### **V. LITIGATION & POSSIBLE CAUSES OF ACTION**

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<sup>4</sup>A 1999 Jaguar convertible titled in the name of Liv Ash Trust c/o William Caudell and a 2000 Cadillac Escalade titled in the name of Lester "Gil" Gillespie that were seized on January 5, 2000, by the Boca Raton Police Services Department.

The Receiver, assisted by counsel, continues to review facts developed in his investigation of PRSI and its dealings with numerous individuals, companies, financial institutions, attorneys, creditors and other entities. Consideration is being given to litigation against the individual defendants in this case and against third parties, who may have wrongfully profited by their dealings with PRSI. The Receiver will continue this review to determine if there are economically viable causes of action worth pursuing that would be in the best interests of the PRSI estate. **VI.**

**COOPERATION WITH INTERESTED PARTIES**

During the Reporting Period, the Receiver was served with another Federal Grand Jury Subpoena by the United States Attorney for the Southern District of Florida, commanding the turn over of any and all documents, financial summaries and reports prepared during the course of the Receivership of PRSI, regarding PRSI, CitX, and the individual defendants in this case. In addition, the Receiver continues to fully cooperate with all parties who have a legitimate interest in this matter, including the PRSI members, the defendants, local, state and federal law enforcement and regulatory authorities, merchants, creditors and others.

**VII. EXHIBITS**

- A. Statement of Cash Inflows and Outflows
- B. Reporting Period Depositions

This report is certified to be true and correct.

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Lewis B. Freeman,  
Receiver

STATE OF FLORIDA )

) ss.

COUNTY OF MIAMI-DADE )

SWORN TO AND SUBSCRIBED before me this \_\_\_\_\_ day of August, 2001, by  
Lewis B.Freeman, who:

is personally known to me;  
produced a current driver's license as identification; or  
produced \_\_\_\_\_ as identification.

\_\_\_\_\_  
Notary Public  
State of Florida

My commission expires: