

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.

---

**REPORT OF THE RECEIVER FOR THE PERIOD  
JULY 1, 2001 THROUGH SEPTEMBER 30, 2001**

**I. INTRODUCTION**

This is the sixth report filed by the Receiver and covers the period July 1, 2001 through September 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 during earlier reporting periods.

---

<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; January 1 through March 31, 2001 and April 1 through June 30, 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 JULY 1, 2001**

A. Recovery of Money During the Reporting Period

During the Reporting Period, the Receiver was successful in recovering funds for the receivership estate as follows:

1.	Moeker Auctions, Inc. Sale of PRSI Vehicles	\$ 65,594.38
	Total . . . . .	<b><u>\$ 65,594.38</u></b>

The Receiver's bank balance as of September 30, 2001 was \$3,003,250.30, including all estate funds. Attached hereto as Exhibit "A" is the Statement of Cash Inflows and Outflows 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 76,620 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

On November 12, 2001, the Receiver will be filing a Notice of Waiver of Payment of Receiver's Fees and Expenses for Period of July 1, 2001 through September 30, 2001. 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 Ratifying Payment of Certain Outside Professionals' Fees from July 1, 2001 through September 30, 2001<sup>2</sup>. Furthermore, pursuant to paragraph 10, of the January 13 Order, on August 3, 2001, the Receiver filed his report covering the period April 1, 2001 through June 30, 2001.

Pursuant to paragraph 9(j) of the January 13 Order, which provides that 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 will move the Court for instructions at the appropriate time.

---

<sup>2</sup>Pursuant to this Court's Order Granting Receiver's Motion for Extension of Time to File Motion for Approval of Outside Professionals' Fees, these motions will be filed on November 12, 2001 and will be filed pursuant to paragraph 12 of this Court's January 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.

### III. LEGAL ISSUES

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

During the previous reporting period, the Court had issued an Order approving a Mutual General Release and Complete Settlement Agreement (the "Agreement") which resolved the lawsuit the Receiver had 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"). 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. Under the terms of the Agreement, CitX and Roemmele could satisfy the judgment by timely making a total of twelve monthly payments of \$25,000.00 to the Receiver, on or before the first of each month, for a total payout of \$300,000.00. In the event of default, the Receiver was entitled to execute on the entire \$700,000.00 judgment less any payments already received.

The Receiver received two initial payments totaling \$50,000.00, however soon thereafter CitX and Roemmele defaulted under the terms of the Agreement and the Receiver began executing on the remainder of the judgment in the amount of \$650,000.00. During the previous reporting period, the Receiver recorded the judgment in the Bucks County Court of Common Pleas (the "Bucks County Court") against both CitX and Roemmele and filed Writs of Execution against the personal property of both CitX and Roemmele.

The Receiver aggressively pursued his collection efforts and during the Reporting Period, and the Receiver's counsel in New York and Texas was effective in domesticating the judgment against CitX

and Roemmele where the Receiver determined that CitX and Roemmele assets may be located. The Receiver also continued to schedule discovery in aid of execution on his judgment and scheduled Roemmele's continued deposition for July 17, 2001.

However, one week into the Reporting Period, CitX filed a voluntary petition for Chapter 11 bankruptcy in the Eastern District of Pennsylvania *In re CitX Corporation*, Case No. 01-19604, and shortly thereafter, and in an apparent effort to avoid his contempt hearing, Bernard Roemmele ("Roemmele") filed a voluntary petition for Chapter 13 bankruptcy in the Eastern District of Pennsylvania, *In re Bernard A. Roemmele*, Case No. 01-30226. These bankruptcy filings had the effect of staying all collections efforts. The Receiver has continued, however, to advance his cause in these cases.

1. *Roemmele Bankruptcy Proceedings:* During the previous reporting period, Roemmele attended his scheduled deposition in aid of execution, however, he failed to produce any documents responsive to his Notice of Taking Deposition in Aid of Execution in the Bucks County Lawsuit. 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. Roemmele agreed however, to produce the requested documents on or by July 10, 2001 and, by agreement, his continued Deposition in Aid of Execution was scheduled for July 17, 2001.

Roemmele failed to appear for his deposition in aid of execution and failed to produce any of the responsive documents.

As a result, the Receiver filed an Emergency Petition for Contempt and to Compel the Production of Documents and Deposition in Aid of Execution of Roemmele in the Bucks County Lawsuit. The Bucks County Court issued a Rule to Show Cause upon Roemmele to produce the requested documents and to show cause why he should not be held in contempt. Thereon, the Court set a hearing for July 17, 2001 with Roemmele's deposition to proceed at the conclusion of the hearing. The afternoon before the hearing, Roemmele, in an effort to circumvent the contempt hearing, filed his voluntary petition for Chapter 13 bankruptcy relief.

The Receiver filed a Motion for Relief From the Automatic Stay based upon multiple grounds, including Roemmele's bad faith filing of his bankruptcy petition. On or about August 14, 2001, the Bankruptcy Court dismissed Roemmele's Chapter 13 petition for failure to file his Chapter 13 schedules, summary of schedules, statement of financial affairs and related documents. The Receiver immediately recommenced his efforts in aid of execution against Roemmele in Pennsylvania, New Jersey, Texas and New York. In addition, the Receiver filed a renewed request for Contempt, Sanctions and to Compel the Production of Documents and Deposition in Aid of Execution of Roemmele and for other Supplementary Relief on the grounds that Roemmele filed his bankruptcy petition in bad faith and for the purpose of avoiding the Receiver's execution proceedings. On August 17, 2001, the Bucks County Court issued a Rule to Show Cause upon Roemmele to produce the requested documents and to show cause why he should not be held in contempt and sanctioned and why the Supplementary Relief should not be granted.

On August 23, 2001, the date the hearing was scheduled to proceed, Roemmele, in a further effort to circumvent the contempt hearing, filed a new Bankruptcy Petition under Chapter 7 of the

Bankruptcy Code in the Eastern District of Pennsylvania, *In re Bernard A. Roemmele*, Case No. 01-32044.

The Receiver continues to monitor and respond to the developments and deadlines in the Roemmele Chapter 7 proceedings.

2. *CitX Bankruptcy Proceedings*: On or about July 3, 2001 CitX filed its voluntary petition for Chapter 11 bankruptcy. The Receiver immediately prepared a Motion for the Entry of An Order Directing Appointment of a Chapter 11 Trustee, or Alternatively, to Convert to a Case Under Chapter 7 ( the “August 17, Motion”) and a Memorandum of Law in support thereof, based upon: (a) CitX’s involvement in a criminal enterprise; (b) the Bucks County Court’s findings that CitX adulterated and falsified business records for the purpose of the Bucks County Lawsuit litigation; (c) the discovery through depositions in aid of execution that CitX made concerted efforts to divert and transfer assets to other entities; (d) CitX’s lack of any meaningful ongoing business; (e) Roemmele’s prior abuse and of the bankruptcy process<sup>3</sup>; and the (f) ongoing misrepresentations and omissions made by CitX in its Bankruptcy Schedules and Statement of Financial Affairs and other matters during its Chapter 11 proceeding.

---

<sup>3</sup>During the course of the Receiver’s investigations, he discovered that in 1998, that another company owned and operated by Roemmele called Intelligent Communication Systems, Inc. (“ICS”) filed a chapter 7 petition. During the course of the chapter 7 case, ICS, acting through Roemmele, refused to provide any information pertaining to the disposition of it assets and refused to comply with the bankruptcy court’s order to appear and testify. The ICS petition was dismissed and Roemmele was sanctioned for his dilatory tactics by the bankruptcy judge. I3W, one of the chief creditors of ICS, continued to pursue its claims against ICS and in December of 1999, CitX paid I3W \$196,000.00 to resolve its claim against its predecessor company, ICS. The Receiver has determined that this \$196,000.00 came from proceeds received from PRSI.

A Section 341 hearing in the CitX Chapter 11 proceeding was held in which additional information was developed to support the filing of the Receiver's August 17<sup>th</sup> Motion.

The hearing on the August 17<sup>th</sup> Motion was set for September 23, 2001. In preparation for that hearing, the Receiver secured witnesses involved in the Florida PRSI investigation who were prepared to testify and participate if necessary. Frank Moeller, a financial investigator appeared as a witness on behalf of the Florida Office of the Attorney General's Economic Crimes Division and testified extensively regarding the Florida Attorney General's investigation of PRSI and CitX.

When Roemmele was called upon to testify, the attorney for the Office of the U.S. Trustee rose and requested that Roemmele be mirandized. Accordingly, Roemmele was advised by the Bankruptcy Court that anything he said could be used against him in a court of law, and what the potential effect of refusing to answer questions pursuant to his Fifth Amendment privilege against self incrimination would have on CitX's rights in the Bankruptcy. Roemmele was further advised of his right to have his own counsel present. After hearing the Bankruptcy Court's warning, Roemmele elected to obtain his own counsel and requested that the hearing being adjourned. The Court continued the hearing until September 24, 2001.

On September 24<sup>th</sup>, prior to the scheduled hearing, CitX's representatives agreed to have the case converted to a Chapter 7 proceeding, rather than to have Roemmele take the Fifth Amendment or subject himself to cross-examination at the hearing. The Bankruptcy Court entered an Order converting CitX's Chapter 11 case to a case under Chapter 7 of the Bankruptcy Code. That same day, the Office of the United States Trustee appointed a Chapter 7 Interim Trustee.

The Receiver's counsel met with the Trustee and advised him of the history of the case and the actions taken by CitX and Roemmele. The Trustee also met briefly with representatives from CitX. The Trustee investigated CitX's business and conducted a site visit of the company's Quakertown facility. When the Chapter 7 Trustee arrived at the CitX offices, he found the business in shambles, and former CitX management and employees removing computer equipment and destroying data, books and records. Ultimately, the Trustee decided to close CitX's business. The Receiver assisted the Trustee in obtaining the necessary experts to properly shut down the CitX equipment and to begin the orderly liquidation of the assets.

The Receiver continues to monitor and respond to the developments and deadlines in the CitX Chapter 7 proceedings.

B. The State's Case Against the Original Defendants:

1. *William Caudell*: During the previous reporting period, the United States Attorney had 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. On August 23, 2001, the Receiver, through counsel, attended a Plea Hearing in which William Caudell plead guilty to these charges. Caudell remains free on \$100,000.00 bond pending his sentencing hearing scheduled for January 7, 2001. A full text of William Caudell's plea is available at the Receiver's website [www.prsiinc.com](http://www.prsiinc.com). The United States Attorney has advised that new charges will be forthcoming against additional defendants linked to the PRSI ponzi scheme shortly.

2. *Defendants' Counsel:* During the Reporting Period, attorneys Eliot R. Weitzman, Mark D. Cohen, Mark D. Cohen, P.A. and H. Dohn Williams withdrew as attorneys for William Caudell based upon a potential conflict of interest in representing the other named defendants. Moreover, attorney Mark D. Cohen, and Mark D. Cohen, P.A. filed Motions to Withdraw as Attorney for PRSI, Gil Gillespie, Salvatore Argento, Joseph Rotunno and Ben Tobin.

3. *Salvatore Argento and Ben Tobin:* Previously, Defendants Salvatore Argento and Ben Tobin filed a lawsuit in the Seventeenth Judicial Circuit, in and for Broward County Florida styled *Salvatore Argento and Ben Tobin vs. Office of the Attorney General, Department of Legal Affairs, State of Florida*, Case No. 00012394 CACE 03 seeking a stay of the State's case in the Palm Beach County Proceedings in favor of a trial on those issues in Broward County, the county of their residence. Thereafter, the Palm Beach County Court entered an Order granting Messrs. Argento and Tobin stay in the Palm Beach County proceedings until the Broward County lawsuit had been properly litigated. To that end, the Florida Attorney General's office has continued to advance their cause in bringing the Broward County suit to trial. During the Reporting Period, the Office of the Attorney General filed and was granted an Order to Compel Messrs. Argento and Tobin to Appear for Depositions and for Sanctions for Failure to Appear.

C. 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. During the previous reporting period,

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 had taken possession of two luxury automobiles<sup>4</sup> and engaged a professional to sell the same for the benefit of the receivership estate. During the Reporting Period, these vehicles were sold and netted \$65,594.38 for the 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**

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

---

<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 "GiP" Gillespie that were seized on January 5, 2000, by the Boca Raton Police Services Department.

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 answered an inquires from Discover and Cardservice International regarding PRSI consumer charge backs. In addition, the Receiver has continued to comply with the Federal Grand Jury Subpoena by the United States Attorney for the Southern District of Florida served upon him on June 17, 2001, and the Subpoena by the Office of the Florida Attorney General served upon him on January 14, 2000, 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. 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

This report is certified to be true and correct.

\_\_\_\_\_  
Lewis B. Freeman,  
Receiver

STATE OF FLORIDA                    )  
  ) ss.  
COUNTY OF MIAMI-DADE         )

SWORN TO AND SUBSCRIBED before me this \_\_\_\_\_ day of November 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: