

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. 502000CA000067XXOCAB

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
OCTOBER 1, 2005 THROUGH DECEMBER 31, 2005**

I. INTRODUCTION

This is the twenty-third report filed by the Receiver and covers the period October 1, 2005 through December 31, 2005 (the "Reporting Period"). The previous reports should be read in conjunction with this report to gain a full understanding of the history of this receivership¹. The previous reports provide, among other things, a background of this case, discussion regarding significant

¹ 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; April 1 through June 30, 2001; July 1, 2001 through September 30, 2001; October 1, 2001 through December 31, 2001; January 1, 2002 through March 31, 2002; April 1, 2002 through June 30, 2002; July 1, 2002 through September 30, 2002; October 1, 2002 through December 31, 2002; January 1, 2003 through March 31, 2003; April 1, 2003 through June 30, 2003; July 1, 2003 through September 30, 2003; October 1, 2003 through December 31, 2003; January 1, 2004 through March 31, 2004; April 1, 2004 through June 30, 2004; July 1, 2004 through September 30, 2004; October 1, 2004 through December 31, 2004; January 1, 2005 through March 31, 2005; April 1, 2005 through June 30, 2005; and July 1, 2005 through September 30, 2005 and they are on file with the clerk of the court and are also available in part on the Receiver's Web site, at www.prsiinc.com.

earlier events, and a summary of Professional Resources Systems International, Inc.'s ("PRSI's") receipts and disbursements during earlier reporting periods.

II. ACTIVITY SINCE OCTOBER 1, 2005

A. Disposition of Money During the Reporting Period

The Receiver's bank balance as of December 31, 2005 was \$2,147,783, including all estate funds. Attached hereto as Exhibit "A" is the Statement of Cash Inflows and Cash Outflows for the Reporting Period.

B. Receiver's Continuing Investigation

In the search for money and other assets of the receivership estate, as leads develop, 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. 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. At the end of the reporting period for the third quarter in 2005, there had been approximately 101,750 hits on this Web site. Since then, the Receiver has changed service providers for his Web site, and the new provider has restarted the hit count from zero. To date, since the change, there have been approximately 8,023 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. Accordingly, the Receiver's staff has reviewed each e-mail received at prsi@lbfmiami.com and responded to all inquiries.

D. Receiver's Compliance with Terms of Receivership

During the Reporting Period, the Receiver was involved in the filing of his Motion for Order Ratifying Payment of Receiver's Attorneys' Fees and Expenses, Motion for Order Ratifying Payment of Certain Outside Professionals' Fees, and Application for the Compensation of the Receiver's Pennsylvania Counsel². Furthermore, pursuant to paragraph 10, of the January 13th Order, the Receiver filed his quarterly report covering the period July 1, 2005 through September 30, 2005. In addition, the Receiver filed a Notice of Waiver of Payment of Receiver's Fees and Expenses and a Notice of Waiver of Payment of Receiver's Forensic Accountants's Fees and Expenses for the Period of July 1, 2005 through September 30, 2005.

Paragraph 9(j) of the January 13th Order further 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. During the Reporting Period, the Receiver has continued to explore claims procedure options and will move the Court for instructions at the appropriate time.

²Pursuant 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. United States of America v. Bernard Roemmele, Salvatore Argento, Lester Gillespie, Steve Hein and Ben Tobin, Case No. 04-60206-CR-COHN:

During a previous reporting period, a grand jury sitting in Ft. Lauderdale, Florida, returned an Indictment charging, five (5) defendants—Bernard Roemmele (“Roemmele”), Salvatore Argento (“Argento”), Lester Gillespie (“Gillespie”), Steve Hein (“Hein”), and Ben Tobin (“Tobin”) with crimes arising from their participation in promoting the fraudulent activities of CitX Corporation (“CitX”), a so-called Internet service provider and alleged computer technology company, and PRSI. On August 24, 2004, arrest warrants were issued and executed as to each of these defendants. The Defendants have since been arraigned and were all released on bond pending trial.

The Indictment is the result of a four-year long investigation conducted by the United States Attorney Office for the Southern District of Florida in conjunction with the Federal Bureau of Investigation, Internal Revenue Service, United States Postal Inspection Service, and the Broward County Sheriffs Office. The indictment states that through CitX and PRSI, these defendants engaged in a complex Internet fraud and securities fraud scheme whereby they used the Internet to offer the public a non-existent e-commerce opportunity in exchange for \$295 per person. Specifically, the offering promised customers an electronic Web site “store” that allegedly would provide customers with an opportunity to engage in e-commerce through electronically retailing goods and services on a pornography-free “Internet mall.” Customers were promised falsely that they would earn commissions not only from their personal sales, but also from the sales generated by the individuals whom they convinced to purchase these Web sites. In addition, these defendants used the Internet, false press releases, and other communications media to disseminate false and fraudulent information to induce

individuals to purchase stock in CitX. In total, over 45,000 people were victimized throughout the course of the fraud schemes which involved criminal proceeds of over \$15 million.

The Indictment charges each of these defendants with one (1) count of conspiring to violate the Racketeering Influenced and Corrupt Organizations (“RICO”) Act, in violation of Title 18, United States Code, Section 1962(d); one (1) count of conspiring to commit mail and wire fraud, in violation of Title 18, United States Code, Section 317; and one (1) count of conspiring to commit money laundering, in violation of Title 18, United States Code, Section 1956(h). In addition to those charges, defendant Hein is charged with one (1) count of obstruction of justice, in violation of Title 18, United States Code, Section 1503; and defendant Roemmele is charged with one (1) count of securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff(a), 17 C.F.R. Part 240.10b-5, and Title 18, United States Code, Section 2.

If convicted on the RICO, money laundering, and securities fraud conspiracy counts, the defendants charged with those counts would face a maximum statutory term of imprisonment of twenty (20) years per count. If convicted on the obstruction of justice count, defendant Hein would face a maximum statutory term of imprisonment of ten (10) years. If convicted on the mail and wire fraud conspiracy count, the defendants would face maximum statutory term of imprisonment of five (5) years. The maximum fine range that these defendants would face if convicted on the referenced counts is from \$250,000 to \$5 million.

The Indictment represents one of the largest Internet fraud cases to be prosecuted in the Southern District of Florida, and is a result of the Department of Justice’s joint law enforcement initiative known as “Operation Web Snare.” This Operation represents a coordinated initiative targeting an expansive array of Cyber Crime schemes victimizing individuals and industry worldwide.

Operation Web Snare includes more than 160 investigations, in which more than 150,000 victims lost more than \$215 million dollars. Through these investigations more than 350 subjects were targeted, resulting in 150 arrests/convictions, 117 indictments, and the execution of more than 170 search/seizure warrants.

During the previous reporting period defendants Salvatore Argento, Ben Tobin and Lester "Gil" Gillespie plead guilty to count two (2) of the indictment, which charged them each, individually with conspiracy to commit mail and wire fraud in violation of Title 18, United States Code, Section 371³. United States District Court Judge James I. Cohn sentenced each of the defendants to a sixty (60) month prison sentence, a three (3) year term of supervised release and further authorized them to participate in a 500 hour drug treatment program. Each of the Defendants were ordered by the District Court to pay restitution in the amount of \$13,570,000.00 plus \$100.00⁴. The restitution is joint and several with the other co-defendants in these proceedings and with the defendants in Docket Nos. 02-80035-CR-Middlebrooks⁵, 01-8076-CR-Middlebrooks⁶ and 01-8135-CR-Middlebrooks⁷, all pending in the Southern District of Florida.

The trial as to the remaining defendants, Bernard Roemmele and Steve Hein, is scheduled to begin on January 23, 2006 at 9:00 a.m. with calendar call to be held on January 19, 2005 at 1:30 p.m.

³A full text of the pleas are available on the Receiver's website at www.prsiinc.com.

⁴The restitution will be forwarded by the Clerk of Court to be disbursed by the Receiver.

⁵*United States of America v. Michael Gray*.

⁶*United States of America vs. William Caudell*.

⁷*United States of America v. Larry Barrow*.

A copy of the indictment, plea agreements, judgments and related information is available on the Receiver's Web site at www.prsiinc.com. Related court documents and information may be found on the Web site of the United States District Court for the Southern District of Florida at www.flsd.uscourts.gov or on <http://pacer.flsd.uscourts.gov>.

The Receiver continues to fully cooperate with all parties who have a legitimate interest in these criminal proceedings, including local, state and federal law enforcement and regulatory authorities. Furthermore, the Receiver continues to monitor and respond to the developments in these criminal proceedings and shall continue to advance and protect the Receivership Estates' interest in this regard.

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

On December 8, 2000, with its entry of an Order Granting Partial Summary Judgment against PRSI, this Court entered a permanent injunction holding that PRSI violated Chapter 501, Part II, Florida Statutes by engaging in a pyramid or Ponzi scheme in violation of Section 849.091, Florida Statutes. Previously, an order was entered striking the case from the trial calendar until further notice by the parties pursuant to the Plaintiff's Unopposed Motion for a Continuance of the trial. To date, the trial has not been reset.

During the Reporting period, the Florida Attorney General has continued to advance the State's case against the individual defendants.

C. The Receiver's Case Against CitX and Roemmele:

The Receiver holds a duly perfected money judgment against CitX Corporation ("CitX") and Bernard Roemmele ("Roemmele"), jointly and severally, in the amount of \$700,000.

During the Reporting Period, the Receiver has continued to advance his cause and protect the Receivership estate's interest in the bankruptcy proceedings in the United States Bankruptcy Court for

the Eastern District of Pennsylvania (the "Bankruptcy Court") styled: (a) *In re CitX Corporation*, Case No. 01-19604; and (b) *In re Bernard A. Roemmele*, Case No. 01-32044. In both of these bankruptcy cases, the Receiver previously filed proofs of claim on behalf of the estate in the amount of \$812,987.34, representing the unpaid judgment plus interest, attorneys' fees and costs.

The Receiver shall continue to monitor and participate in these cases to the extent they may have an impact on the Receiver's claims.

IV. COOPERATION WITH INTERESTED PARTIES

During the Reporting Period, the Receiver, through his counsel, continued to respond to and comply with, the Federal Grand Jury Subpoena from the United States Attorney for the Southern District of Florida, served on the Receiver on June 17, 2001, and the Subpoena from the Plaintiff served on the Receiver 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. Both of these subpoenas are continuing in nature.

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.

VI. EXHIBITS

A. Statement of Cash Inflows and Outflows

This report is certified to be true and correct.

Lewis B. Freeman, Receiver

Lewis B. Freeman,
Receiver

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

SWORN TO AND SUBSCRIBED before me this 19th day of January 2006, by Lewis B. Freeman, who:

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

Karen T. Guy

Notary Public
State of Florida

My commission expires:



Karen T. Guy
Commission #DD258845
Expires: Oct 15, 2007
Bonded Thru
Atlantic Bonding Co., Inc

Professional Resources Systems International, Inc.
Lewis B. Freeman, Receiver
Statement of Cash Inflows and Cash Outflows

Cash Inflows	October 1, 2005 <u>Dec. 31, 2005</u>	January 12, 2000 <u>Dec. 31, 2005</u>
Cash from Wachovia Bank	\$0	\$4,450,847
Cash from Penn. Bank	\$0	\$256,216
Cash from Liv Ash Holdings	\$0	\$63,028
Cardservice International	\$0	\$202,069
Dell Computers	\$0	\$169,350
Membership fees- after 1/5/00	\$0	\$89,553
Sale of Computers	\$0	\$1,250
Mark Cohen, Trust Account	\$0	\$50,000
Tax Refund	\$0	\$6,419
Miscellaneous Refunds	\$0	\$136,342
Interest Income	\$10,733	\$377,230
Moecker Auctions, Inc.	<u>\$0</u>	<u>\$65,594</u>
Total Cash Inflows	<u>\$10,733</u>	<u>\$5,867,898</u>
Cash Outflows		
Bank Charges	\$0	\$1,179
Bond/ Insurance	\$0	\$47,846
Computer Expense	\$0	\$23,102
Consulting	\$0	\$104,731
Copying/ Printing	\$0	\$41,981
Fees - Accounting	\$0	\$15,787
Fees - Forensic Accounting	\$0	\$731,003
Fees - Legal	\$9,697	\$2,292,568
Fees - Receiver	\$0	\$70,671
Investigations	\$0	\$9,007
Licenses	\$0	\$684
Office/ Postage Expense	\$0	\$6,320
Outside Services	\$0	\$18,969
Pre-Receiver Liabilities	\$0	\$10,974
Rent	\$0	\$103,818
Security	\$0	\$75,941
Settlement - CITX	\$0	\$125,000
Taxes - Payroll	\$0	\$8,190
Telephone/ Communications	\$0	\$3,895
Travel	\$0	\$22,214
Acquisition/maintenance of web domain	\$0	\$5,070
Moving	\$0	\$1,166
Total Cash Outflows	<u>\$9,697</u>	<u>\$3,720,115</u>
Net Cash Inflows/ Outflows	<u>\$1,036</u>	<u>\$2,147,783</u>
Cash Balance - Beginning	\$2,146,747	\$0
Net Cash Inflows/ Outflows	\$1,036	\$2,147,783
Cash Balance - Ending	<u>\$2,147,783</u>	<u>\$2,147,783</u>

EXHIBIT

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