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10 **ROBB EVANS & ASSOCIATES LLC**

11 UNITED STATES DISTRICT COURT
12 DISTRICT OF NEVADA

13
14 FEDERAL TRADE COMMISSION,
15 Plaintiff,

16 v.

17 AWS, LLC, a Nevada limited liability
18 company; ADAMS CONSULTING, LLC, a
California limited liability company; FBA
19 DISTRIBUTORS, LLC, a Massachusetts
limited liability company; FBA STORES,
20 LLC, a Nevada limited liability company;
GLOBAL MARKETING SERVICES
21 L.L.C., a Nevada limited liability company;
INFO PROS, LLC, a Nevada limited liability
22 company; ONLINE AUCTION LEARNING
CENTER, INC., a Massachusetts
23 corporation; ONLINE AUCTION
LEARNING CENTER, INC., a Nevada
24 corporation; CHRISTOPHER F. BOWSER,
individually and as an officer of FBA
25 DISTRIBUTORS, LLC, FBA STORES,
LLC, INFO SOLUTIONS, LLC, ONLINE
26 AUCTION LEARNING CENTER, INC. and
ONLINE AUCTION LEARNING CENTER,
27 INC.; ADAM S. BOWSER, individually and
as an officer of AWS, LLC, FBA
28 DISTRIBUTORS, LLC, FBA STORES,
LLC, INFO SOLUTIONS, LLC, ONLINE

Case No. 2:18-cv-00442-JCM-PAL

**REPORT OF RECEIVER'S ACTIVITIES
FROM MARCH 16, 2018 THROUGH APRIL
19, 2018**

1 AUCTION LEARNING CENTER, INC. and
 2 ONLINE AUCTION LEARNING CENTER,
 3 INC.; JODY L. MARSHALL, individually
 4 and as an officer of INFO PROS, LLC and
 5 INFO SOLUTIONS, LLC; and JEFFERY A.
 6 GOMEZ, a/k/a JEFF ADAMS or JEFF
 7 ADAM, individually and as an officer of
 8 ADAMS CONSULTING, LLC and
 9 GLOBAL MARKETING SERVICES
 10 L.L.C.,
 11 Defendants.

12 TO: THE HONORABLE JAMES C. MAHAN, UNITED STATES DISTRICT JUDGE:

13 COMES NOW, Robb Evans & Associates LLC, Temporary Receiver, and submits its
 14 Report of Receiver’s Activities for the period from March 16, 2018 through April 19, 2018,
 15 attached hereto as Exhibit A.

16 Respectfully submitted,

17 Dated: April 19, 2018

18 MICHAEL F. LYNCH
 19 LYNCH LAW PRACTICE, PLLC

20 GARY OWEN CARIS
 21 BARNES & THORNBURG LLP

22 By: /s/ Gary Owen Caris
 23 GARY OWEN CARIS

24 Attorneys for Temporary Receiver
 25 **ROBB EVANS & ASSOCIATES LLC**

EXHIBIT A

Robb Evans & Associates LLC
Temporary Receiver of AWS, LLC, FBA Distributors, LLC, FBA Stores, LLC,
Info Pros, LLC, Online Auction Learning Center, Inc.
and Global Marketing Services, L.L.C. et al.

REPORT OF RECEIVER’S ACTIVITIES
MARCH 16, 2018 THROUGH APRIL 19, 2018

Table of Contents

Overview	3
Custody, Control and Possession	5
Receivership Entities’ Business Premises and Operations	5
293 Libbey Industrial Parkway, Suites 150 & 250, Weymouth, Massachusetts.....	5
3165 North Moapa Valley Blvd., Logandale, Nevada.....	7
440 N. Mountain Avenue Suite 212, Upland, California.....	9
197 East California Avenue, Suite 260, Las Vegas, Nevada	9
350 S. 400 W. Suite 100, Lindon, Utah	10
Subsequent Meeting with Gomez	11
Financial Information	13
Online Auction Learning Center Inc.	15
FBA Distributors LLC	18
FBA Stores LLC.....	20
Global Marketing Services	25
AWS LLC.....	27
Info Pros LLC	27
Merchant Statements and Activities	28
• EVO.....	29
• EMS	30
• Qualpay.....	31
• Paypal.....	32

Other Affiliated Entities	33
Info Solutions LLC.....	34
eLearn Service LLC	34
E-Learn Services Ltd.	34
Sell On AMZ Inc. and Buy Box Wholesale Inc.	35
Sellers Hangout	35
Auction Profit Builders LLC and Insider Online Secrets LLC	36
Adams Consulting LLC	36
Personal Amazon Stores Owned by Bowser	38
Consumer Information	39
Consumer Complaints and Deception	39
Bank and Merchant Accounts	43
Other Matters	44
Uniform Commercial Code Filing.....	44
Telemarketing Call Recordings	44
Communications with Consumers	44

Robb Evans & Associates LLC
Temporary Receiver of AWS, LLC, FBA Distributors, LLC, FBA Stores, LLC,
Info Pros, LLC, Online Auction Learning Center, Inc.
and Global Marketing Services, L.L.C. et al.

REPORT OF RECEIVER'S ACTIVITIES
MARCH 16, 2018 THROUGH APRIL 19, 2018

This report covers the activities of the Temporary Receiver¹ since the inception of the receivership. This is the first report to the Court on the progress of the receivership. It does not constitute an audit of financial condition and is intended only to provide information for use by the Court in assessing the progress of the receivership.

Overview

This report will provide detail as to the Receivership Entities' revenue from consumers of at least \$113 million from January 2014 to March 2018. Over one half of the gross revenue was generated in 2017. In addition, as described in the Consumer Complaints and Deception section of this report, the Receivership Entities appear to have engaged in a significant level of deceit to generate this revenue. These practices resulted in a high level of consumer dissatisfaction as evidenced by refund and credit card chargeback rates of at least 15.7%

The following individuals and entities were primarily responsible for generating nearly \$113 million of revenue:

- Adam Bowser, an individual defendant
- Christopher (Chris) Bowser, an individual defendant
- Jody Marshall (Marshall), an individual defendant
- Jeffrey Adam Gomez (Gomez), an individual defendant

Online Auction Learning Center Inc. (OALC), a Receivership Entity, was formed by Chris and Adam Bowser on December 30, 2013 in Massachusetts. From 2013 to 2016, OALC operated as Online Auction Learning Center d.b.a. FBA Stores to advertise, market, distribute and sell online business opportunities to consumers. FBA stands for Fulfillment by Adam.

On March 31, 2014, Chris and Adam Bowser set up another company in Massachusetts for their online sales business, FBA Distributors LLC (FBA Distributors). FBA Distributors is a

¹ Reference to the Temporary Receiver in this report means the Temporary Receiver, the Temporary Receiver's deputies, and staff.

Receivership Entity. Prior to the end of 2016, FBA Distributors resold and distributed wholesale products to consumers who had Amazon.com storefronts. FBA Distributors stopped providing this service at the end of 2016.

In September 2016, Gomez was brought into the Receivership Entities' business by Chris and Adam Bowser, primarily for the purpose of using Gomez's merchant accounts, which he personally guaranteed, and his credit card accounts. The aggregate credit limit on the merchant accounts which Gomez provided was approximately \$6 million. Access to these merchant accounts and credit card accounts enabled the Receivership Entities to do a greater volume of business. Based on documents provided by Gomez to the Temporary Receiver and a recent interview with Gomez, he was to receive \$5,000 per month, a one-third ownership interest in the business and one-third of the profits in exchange for access to Gomez's merchant accounts and credit cards, and for Gomez's consulting services.

FBA Stores LLC (FBA Stores), a Receivership Entity, was incorporated on September 23, 2016 in Nevada. FBA Stores, d.b.a. AWS, is owned by Chris and Adam Bowser through OALC (66.67%), and by Gomez through Global Marketing Services LLC (33.33%). Global Marketing Services LLC (Global Marketing Services), a recently named Receivership Entity, was incorporated on September 28, 2016 in Nevada, of which 99.5% is owned by Gomez.

FBA Stores held workshops and seminars nationwide to promote and sell a business opportunity to consumers on how to set up stores on Amazon.com and sell products online. FBA Stores also offered a service to consumers in which FBA Stores would purchase a product, label it, and ship it to an Amazon fulfillment center on behalf of the consumers. Since the beginning of Gomez's participation and FBA Stores' incorporation in late September 2016, the revenue of the Receivership Entities almost quintupled.

In early December 2017, lawsuits were filed against Chris and Adam Bowser and their various business entities by Amazon and the Washington State Attorney General. Thereafter, all the credit card merchant processors terminated the Receivership Entities' credit card processing in mid-December 2017.

On December 20, 2017, Gomez sent a letter to Adam Bowser, stating that "Global Marketing Services LLC returns to [sic] right, title interest, ownerships, rights and interests in FBA Stores, LLC to FBA Stores, LLC and to Adam Bowser".

Marshall, a long-time employee of Chris Bowser and Adam Bowser, formed another company, Info Pros LLC (Info Pros), in Nevada on December 16, 2017. Info Pros is a Receivership Entity. Info Pros, d.b.a. Online Seller, was created for the purpose of transitioning the business from FBA Stores.

Additional information about these Receivership Entities and other affiliated entities will be discussed in greater detail below.

Custody, Control and Possession

On March 16, 2018, the Temporary Receiver simultaneously entered five business premises located at 293 Libbey Industrial Parkway, Suites 150 & 250, Weymouth, Massachusetts; 197 East California Avenue, Suite 260, Las Vegas, Nevada; 3165 North Moapa Valley Blvd., Logandale, Nevada; 350 South 400 West, Lindon, Utah; and 400 N. Mountain Avenue, Upland, California. Except as described later in this report, the Temporary Receiver secured the business premises by changing the locks and took custody, control, and possession of the business premises. The Temporary Receiver completed a photographic inventory of receivership assets, interviewed individual defendants and employees, and obtained pertinent information from those employees on site who did not exit the premises upon the entrance of the Temporary Receiver.

The Temporary Receiver's entrance into the various locations was coordinated with various law enforcement personnel. After securing the premises, the Temporary Receiver allowed the Federal Trade Commission (FTC) access to the premises pursuant to the initial Temporary Restraining Order (TRO).

After entering the locations, the FTC assumed responsibility for imaging the computers and scanning documents located at the premises.

Receivership Entities' Business Premises and Operations

293 Libbey Industrial Parkway, Suites 150 & 250, Weymouth, Massachusetts

The Temporary Receiver entered the premises and met with approximately 13 individuals working in the accounting area and in the downstairs warehouse. Individual defendant Adam Bowser was not on site, however he was contacted by phone and he agreed to come to the office and meet with the Temporary Receiver. The Temporary Receiver gathered all of the employees present and explained the lawsuit and the TRO. The employees each filled out a questionnaire and were interviewed. Some employees were asked to remain to assist the Temporary Receiver in obtaining information in the accounting office and the fulfillment warehouse downstairs. They were then all allowed to leave the office.

During the employee interviews, the Temporary Receiver determined that some employees had been recently laid off and some were out of the office for various reasons. The individuals working on the first floor identified the Controller as their supervisor. Those in the warehouse identified the Office Manager as their supervisor. The Office Manager was not at the office. One individual stating he was Co-Manager of the Master Mentor Program Content Development identified Adam Bowser as his supervisor. All employees identified their employer as FBA Stores, AWS and/or On Line Seller.

At approximately 1:20 EDT, the Temporary Receiver met with Adam Bowser and explained the key terms of the TRO to him. After a short meeting Mr. Bowser left the premises.

Adam Bowser returned to the business the following day and spent more time with the Temporary Receiver explaining the business operations and answering the Temporary Receiver's questions. Mr. Bowser explained that after Amazon.Com, Inc. and the State of Washington filed suits in late 2017, all of the credit card merchant processors terminated credit card processing. He further stated that individual defendant Marshall formed On Line Seller because he and his brother, Chris, trusted Marshall for the purpose of transitioning the business from FBA Stores to Marshall's entity.

Mr. Bowser informed the Temporary Receiver about a former seminar speaker who made income claims that consumers would earn their money back in three months. Mr. Bowser stated that was not possible and he terminated the speaker. Mr. Bowser told the Temporary Receiver that "we've been very compliant for a while now and you can't sell the dream."

Contrary to what Mr. Bowser told the Temporary Receiver, the Temporary Receiver's counsel spoke with Greg Christiansen, an attorney that was retained by Info Pros and Marshall in January 2018. Christiansen said that Marshall was looking to start his own training company and purchase "infrastructure" from FBA Stores, and that Christiansen was retained to change the business practices to be used by Info Pros. However, Christiansen admitted to the Temporary Receiver's counsel that he had not completed changes to the "back end" portion of the business by the time of the Temporary Receiver's appointment, which he described as the portion of the business involving coaching, written materials and webinars. He further stated that he spent more time "in triage" than anything and that there was "always an issue." He stated that during the time of his involvement he identified "unethical and illegal" practices, such as merchant processing for one business in the name of another business.

As discussed in more detail later in this report, the Temporary Receiver identified equity payments to Global Marketing Services and Gomez. Initially, Adam Bowser told the Temporary Receiver that Gomez was an investor in FBA Stores and had acquired a one-third ownership interest in the company in 2016. The Temporary Receiver pointed out to Mr. Bowser that the company's balance sheet did not reflect an investment contribution from either Global Marketing Services or Gomez. Mr. Bowser then told the Temporary Receiver that due to the rapid growth of the business he needed larger credit facilities to process credit cards and the addition of Gomez provided that.

This location served as the headquarters for the nationwide operations of the various companies. Adam Bowser's office was located there and it appears that all accounting functions were performed there.

The Temporary Receiver obtained a copy of a three-year lease between the landlord and OALC that began November 15, 2015 and terminates November 14, 2018. The monthly lease payment is \$11,077.

3165 North Moapa Valley Blvd., Logandale, Nevada

There were six employees and the individual defendant, Marshall, present when the Temporary Receiver entered the premises. The Temporary Receiver requested that they gather in a common area. The Temporary Receiver served a copy of the TRO on Marshall. The employees each filled out a questionnaire, were interviewed and then allowed to leave the office. The Temporary Receiver interviewed Marshall.

Marshall stated that he was a “W-2” employee of FBA Stores when they opened for business in March 2015. Marshall described his business activities as a controller of inventory and heading the distribution of physical merchandise. FBA Distributors would purchase large quantities of merchandise and repackage it into smaller lots, to allow consumers to purchase inventory to send to Amazon to be fulfilled by Amazon. When a consumer was suspended or terminated by Amazon as an authorized Amazon third-party seller for violating Amazon’s policies, the consumer could return their unsold products to the location in Logandale for credit. The returned products would then be placed into the company’s inventory for sale to other consumers. Marshall stated that all inventory located at the warehouse in Logandale belongs to Adam Bowser and/or FBA Stores.

Marshall went on to explain that after lawsuits were filed against Chris and Adam Bowser and the various business entities by Amazon and the Washington State Attorney General, the business activities were severely curtailed. Marshall explained that as a result of the slow-down in business, over 100 employees were terminated and he decided to start a business of his own. The Temporary Receiver has reviewed a number of documents that show Marshall’s statement and Mr. Christiansen’s statement about Marshall starting his own business were inconsistent with what Adam Bowser told the Temporary Receiver. Therefore, while the business activities of FBA Stores were being transferred into the name of Info Pros, Adam and Chris Bowser were still going to remain as active owners in the business.

The Temporary Receiver reviewed incorporation documents located at this location and the Nevada Secretary of State’s website to confirm that Info Pros was organized on December 16, 2017. Marshall is listed as the Manager for Info Pros. Marshall’s business activities were also performed under the fictitious business name of On Line Seller. (References to Info Pros hereafter shall include Info Pros doing business as On Line Seller).

Marshall explained that he uses social media and direct mailing to attract potential consumers interested in building an e-commerce business. Like FBA Stores, Info Pros initially offers a two-hour free workshop to introduce consumers to the opportunity to attend a 3-day seminar where the consumer will receive a more in-depth introduction to e-commerce and the opportunity to select coaching services offered by Info Pros. The seminar offers the exact same student participation levels as FBA Stores, but at a reduced rate. The Gold level is sold for \$7,995, the Platinum level is sold for \$13,995 and the Diamond level is sold for \$19,995. The Temporary Receiver requested copies of the marketing materials used in social media and direct selling as well as detailed information about the materials offered to consumers in the

3-day seminars. None of these materials was located by the Temporary Receiver and, to date, Marshall has not provided the requested information. Marshall explained that the workshops and 3-day seminars had been operated in various locations starting in mid-January 2018. Marshall agreed to suspend all future workshops and seminars and immediately cease accepting fees from any consumers pending the resolution of this matter.

The six employees located at the office/warehouse variously identified AWS, FBA Stores, and On Line Seller as their employer. The employees described their duties as customer service, specifically to confirm attendance at workshops and seminars. Scripts recovered by the Temporary Receiver indicated that the employees made outbound calls to confirm appointments and accepted inbound calls from prospective consumers.

The attempt to transfer FBA Stores business activities to Info Pros was still in process and not yet complete at the inception of the receivership. The Temporary Receiver located a document entitled Independent Contractor Agreement between FBA Stores LLC and Andrew Briggs. FBA Stores contacted Mr. Briggs to serve as a professional speaker, mentor, closer and/or Amazon trainer at company training events. The Independent Contractor Agreement was dated January 22, 2018. The Temporary Receiver also located a welcome letter from Chris Bowser to new consumers.

The building consists of two offices and approximately eight modular work stations. The back portion of the building served as warehouse space for merchandise held for sale to consumers. The Temporary Receiver made a photographic inventory of the merchandise. The warehouse area contained numerous boxes containing various types of products which the Temporary Receiver was advised were returned by consumers who had been suspended or terminated by Amazon as authorized Amazon third party sellers.

The Temporary Receiver reviewed a lease agreement entitled, "3165 Lease Agreement" which was entered into by Info Solutions, LLC (discussed below) and Roland Smith (deceased) with a commencement date of March 23, 2015. The lease is currently a month-to-month tenancy with a monthly rent of \$850.00. It appears that Marshall signed the lease agreement, but Marshall stated that Adam Bowser is responsible for and pays the monthly rent. The Temporary Receiver contacted the current owner of the building to advise her of the lawsuit and provide contact information.

The Temporary Receiver located a rental invoice from A Storage On Wheels, Inc., located in North Las Vegas. The invoice indicated that FBA Stores was using a 40' container for storage. The Temporary Receiver served a copy of the TRO on the company and then visited the site and interviewed an on-site manager. The manager confirmed that FBA Stores had been a customer in the past but not stored anything at that location since November, 2017.

At approximately 10:15 a.m. PDT, the Temporary Receiver explained the key terms of the TRO to Marshall.

440 N. Mountain Avenue Suite 212, Upland, California

The property manager told the Temporary Receiver that FBA Stores originally entered into a lease of the suite less than a year ago, but had been delinquent in lease payments after December 2017.

The property manager's security officer accompanied the Temporary Receiver to the suite. After an initial confrontation with an attorney who was in the suite, the Temporary Receiver learned that the tenant was Gomez, who was also present.

Gomez told the Temporary Receiver that he was in the process of obtaining a sublease from FBA Stores for the suite, but it was not yet finalized.

In response to the Temporary Receiver's questions, Gomez stated that he was not an employee of FBA Stores, but did prior consulting to them through his private company, Adams Consulting LLC (Adams Consulting). Gomez told the Temporary Receiver that Global Marketing Services had nothing to do with FBA Stores and only Adams Consulting performed prior consulting work for FBA Stores for a fee. This explanation was inaccurate and incomplete, based on information gathered by the Temporary Receiver and a subsequent interview with Gomez and his counsel, as discussed below.

197 East California Avenue, Suite 260, Las Vegas, Nevada

The business name for suite 260 was iSelf Direct. The Temporary Receiver met with two individuals claiming to be officers of the business, Daniel Blue, Senior Account Executive and Scott Jackson, V.P. of Operations. The Temporary Receiver served a copy of the TRO on Messrs. Blue and Jackson who told the Temporary Receiver they did not have any ownership interest in or business relationship with any of the defendants. They also stated that none of the defendants' employees were located at this suite.

They explained that clients of FBA Stores were referred to iSelf Direct if they needed assistance in opening IRA accounts. FBA Stores was not paid for the referral and all expenses were paid by the individual requesting assistance in opening an IRA account. They stated that they had about 1,200 clients and FBA Stores referrals only made up approximately four percent of their annual income.

The Temporary Receiver reviewed marketing materials for iSelf Direct and concluded that the materials did not appear to be directly related to any of the defendants. The Temporary Receiver did not conclude that iSelf Direct was an affiliated entity of the defendants and therefore did not take custody and control of the premises.

During the Temporary Receiver's interview with Marshall, Marshall claimed that iSelf Direct was not an affiliated entity of the Receivership Entities and was owned by Ben Williams, who also owned the building. Marshall claimed that he signed a rental agreement for suite 260 and paid \$2,000 monthly rent. Marshall explained that he thought the agreement was for a month-to-month rental and claimed that he did not have any employees located at this location. Marshall also stated that his only employees were the six located in Logandale, Nevada and they preferred working in that location because they were all local residents and did not want to commute to Las Vegas. The Temporary Receiver reviewed a copy of a Commercial Lease Agreement entered into on December 29, 2017 between California Loft Partners LLC (Landlord) and Info Pros (Tenant). The term of the lease is actually for five years with monthly rent of \$2,501.03. Marshall advised the Temporary Receiver that iSelf Direct pays him \$1,000 every two weeks.

350 S. 400 W. Suite 100, Lindon, Utah

The Temporary Receiver located and discussed the TRO with the person identified as the manager of the premises. The Temporary Receiver then gathered the 14 employees into a conference room and explained the civil action filed by the FTC and the requirements of the TRO. The 14 employees included the premises manager, who identified himself as manager of the coaching floor, an operations manager, and five coaches for the consumers that paid to enroll in one of three coaching programs. Additionally, there was a customer service supervisor and six customer support personnel who answered technical operating questions on a dedicated "hotline," and who helped set up coaching sessions and provide materials to the paying consumers. Three additional customer support employees scheduled to arrive for a later shift were directed to not appear.

All employees completed the Temporary Receiver's employee questionnaire, including providing access and passwords to the G suite, the Consumer Management System, and informational materials and documents. The employees identified their employer as either FBA Stores or On Line Seller. The Temporary Receiver collected all key cards and door keys. The Temporary Receiver further explained that business operations would be temporarily suspended pending the Temporary Receiver's evaluation and future Court orders.

The Temporary Receiver interviewed all senior staff and customer support staff. All employees answered questions and provided requested details. The coaching manager said he was recruited by Adam Bowser to correct problems in the coaching program and manage and deliver coaching sessions to individuals who had paid for one of three levels of coaching.

The floor manager stated that sales initially were a minor part of the operation. Consumer inquiries about additional coaching time or questions about other products were directed to the sales section of FBA Stores, and later to the sales section of Online Seller. The coaches confirmed they made consumers aware of other products, such as Automated Arbitrage, or various software programs, but were not instructed to aggressively seek sales and did not have

any sales quotas. The coaches stated they did not complete any sales but referred them to sales departments.

The floor manager further stated that in the fall of 2017 Adam Bowser decided to staff a dedicated up-sale section on the coaching floor to immediately capture and follow-up potential up-sale referrals from the coaching staff. In November, the organization created initial scripts to promote the Automated Arbitrage system software and the Supplier Launch software program. These scripts were to be part of the application for a Telemarketing Sales Permit filed with the Utah Commerce Department.

According to the floor manager, Adam Bowser never signed and filed the completed Telemarketing Sales Permit application. Instead, Mr. Bowser informed the floor manager that rather than having a dedicated on-site sales staff, he would refer all potential consumer up-sales to Vision Solution Marketing in Draper Utah, owned by Jared Rodabaugh.

When the Temporary Receiver interviewed the coaches, they confirmed they now refer requests for additional coaching time or inquiries about other products to the floor manager or directly to Vision Solution Marketing. The Temporary Receiver confirmed with the attorney for Vision Solution Marketing that there is no common ownership between his client's firm and any of the named defendant entities or individuals.

The Temporary Receiver has not yet confirmed the exact starting date of the arrangement to refer all potential consumer up-sales to Vision Solution Marketing.

Despite having no Telemarketing Sales Permit, the Temporary Receiver located records of consumer up-sales from November 7, 2017 through November 14, 2017 totaling \$23,007. Two salesmen were located on the company premises during this time period. The Temporary Receiver confirmed the two employees now work directly for Vision Solution Marketing.

The ground floor premises include 5,289 SF with offices along the walls and cubicles in the center of the space. The Temporary Receiver met with the property manager and obtained a copy of a month-to-month rental agreement. The monthly rent is \$8,595 and the property owner holds a security deposit of \$8,595. Rent is paid to April 1, 2018. The property owner was cooperative and assisted the Temporary Receiver in having locks changed.

Subsequent Meeting with Gomez

The Temporary Receiver and the Temporary Receiver's counsel met with Gomez and his counsel, James Bastian, in the Temporary Receiver's office in Sun Valley, California on April 16, 2018. Gomez briefed the Temporary Receiver about his history with Chris and Adam Bowser, whom he met in seminars in 2005. Gomez stated that he promoted real estate business opportunities at seminars for more than 15 years, and Chris and Adam Bowser used to speak and teach at eBay business opportunity seminars from 2009 to 2014.

In 2016, Gomez was brought into the Receivership Entities' business by Chris and Adam Bowser. Gomez stated that his primary responsibilities in the Receivership Entities' business included:

- Opening and setting up merchant accounts based on Gomez's existing or previous accounts and business relationship with three merchant processors, including EVO Payments International, Electronic Merchant Systems, and Qualpay Inc. It was agreed that there would be a 10% merchant account reserve.
- The use of his credit cards for business expenses.
- Consulting on how to manage seminars.

In exchange, Gomez would receive \$5,000 per month in consulting fees and one-third of the business interest and profits.

Gomez provided the Temporary Receiver a copy of the consulting agreement dated October 1, 2016 (Exhibit 1) that was entered into between FBA Stores and Adams Consulting. This agreement shows FBA Stores would provide Adams Consulting \$5,000 per month for services. Gomez also received a one-third of ownership interest in FBA Stores through Global Marketing Services.

Gomez's relationship with Chris and Adam Bowser had a falling out in November or December 2017. Furthermore, in early December 2017, lawsuits were filed against Chris and Adam Bowser and their various business entities by Amazon and the Washington State Attorney General. As described in detail above, on December 20, 2017, Gomez sent a letter to Adam Bowser (Exhibit 2), stating that Global Marketing Services returns its interests in FBA Stores to FBA Stores and Adam Bowser.

Gomez told the Temporary Receiver that he did not have direct involvement or management in FBA Stores' operations, other than providing the merchant accounts, his credit cards and his consulting services regarding how to manage seminars. Gomez also provided a copy of a declaration signed by Adam Bowser on October 27, 2017 (Exhibit 3) in connection with Gomez's divorce proceeding which was on Gomez's attorney's pleading paper and was apparently used by Gomez in his divorce proceeding. The declaration stated that Gomez "has no ownership interest whatsoever in FBA Stores LLC. Additionally, Mr. Gomez is not a director, officer, or an employee of FBA Stores, LLC." This declaration also states that "FBA Stores, LLC does not make any payments to Mr. Gomez other than to the \$5,000 per month to Adams Consulting, LLC pursuant to the consulting agreement. All payments by FBA Stores, LLC go directly to Adams Consulting, LLC."

However, the information provided in the interview and Adam Bowser's declaration used by Gomez in Gomez's divorce proceeding contradicts the information and documents discovered by the Temporary Receiver in several respects:

- At the time of the declaration, Gomez owned a 33.33% interest in FBA Stores through his ownership of Global Marketing Services.
- Gomez received approximately \$2 million in owner distributions from FBA Stores in 2017 through his ownership of Global Marketing Services.
- Email correspondence shows that Gomez was not only providing the merchant accounts to the Receivership Entities, but he was also heavily involved in the merchant processing activities, including operating the accounts, managing the refunds and chargebacks, and negotiating the reserves with merchant processors.
- Email correspondence shows that Gomez was also engaging in marketing, recruiting, training, managing the seminars/events and pricing the programs being offered.
- Based on copies of 2016 Form 1099-MISC provided by Gomez to the Temporary Receiver (Exhibit 4), Adams Consulting received \$695,965.69 from OALC and \$655,441.55 from FBA Stores. These amounts are much greater than \$5,000 per month pursuant to the consulting agreement.

In addition, Gomez told the Temporary Receiver that Chris and Adam Bowser used FBA Stores' funds to pay for and purchase goods which became products for sale in the personal Amazon stores owned by Chris and Adam Bowser, and their relatives (collectively referred to as the Bowser Family). Gomez was told by the former Chief Financial Officer of FBA Stores that these funds would be treated as loans from FBA Stores to Bowser Family Amazon stores. The Temporary Receiver is investigating these alleged transactions and reviewing the related financial information and documents, which is discussed in detail below.

Financial Information

The Temporary Receiver met with the Receivership Entities' Controller in Weymouth, Massachusetts and obtained access to the QuickBooks accounting files for a number of the Receivership Entities, including OALC, FBA Stores, FBA Distributors, and Info Pros. These accounting files are stored on a cloud-base application hosted by Right Networks.

The QuickBooks accounting files primarily recorded the transactions from 2016 up to the present time². The Temporary Receiver also found some 2015 tax returns at the Receivership Entities' business premises, which appear to be more reliable and accurate than pre-2016 transactions recorded in the QuickBooks accounting files.

As previously discussed, OALC was formed in December 2013 and FBA Distributors, formerly One Source Electronics LLC, was formed in March 2014. According to the Controller, the Receivership Entities' main operations began with OALC and then shifted to FBA Stores in 2016. Sales were primarily completed by credit card transactions processed by merchant processors until the merchant processors terminated their merchant accounts in December 2017. Thereafter, sale transactions were mostly through checks and wires from consumers or Paypal.

Info Pros was formed in December 2017. The Receivership Entities began transferring their operations to Info Pros in January 2018.

The Temporary Receiver has reviewed and analyzed the transaction details and reports under the accounting files, the banking records, and all the relevant documents that are currently available. According to the Receivership Entities' books and records, at least \$106.7 million in gross revenue was generated since January 2014. However, based on the available merchant statements that the Temporary Receiver has reviewed and analyzed, this \$106.7 million in revenue appears to be understated by at least \$6.2 million. This suggests that the Receivership Entities have generated nearly \$113 million of revenue from January 2014 to March 2018. More details are discussed under the Merchant Statements and Activities section below.

After refunds and chargebacks, the recorded net revenue was approximately \$102.5 million from January 2014 to March 2018, including \$25.5 million in OALC, \$67.2 million in FBA Stores, \$6.2 million in FBA Distributors, and \$3.6 million in Info Pros, as set forth below.

Net Revenue					
Year	OALC	FBA Stores	FBA Distributors	Info Pros	Total
2014	\$ 6,201,506	\$ -	\$ -	\$ -	\$ 6,201,506
2015	8,503,314	-	802,025	-	9,305,339
2016	9,813,360	7,321,816	4,051,570	-	21,186,747
2017	886,170	56,225,146	1,305,325	-	58,416,641
2018	122,426	3,608,453	22,045	3,618,440	7,371,364
Total	<u>\$ 25,526,776</u>	<u>\$ 67,155,414</u>	<u>\$ 6,180,966</u>	<u>\$ 3,618,440</u>	<u>\$ 102,481,596</u>

² The Temporary Receiver found very few transactions recorded prior to 2016 in these QuickBooks accounting files, but the amounts were small and appeared to be incomplete or erroneous. Therefore, the Temporary Receiver omitted these pre-2016 transactions recorded in these QuickBooks accounting files.

The recorded refunds and chargebacks on the books were approximately \$4.2 million from 2014 to 2018, which were significantly understated because some refunds and chargebacks through merchant processors were net of sales when recorded on the books.

Based on the available merchant statements, ranging from July 2016 to February 2018, there were at least \$10.4 million in refunds and chargebacks, from approximately \$66.2 million in gross sales, resulting in an average of about 15.7% in refunds and chargebacks.

According to the books and records, the total net income for the Receivership Entities from January 2014 to March 2018 was approximately \$10.3 million, of which \$4.8³ million was distributed to Chris and Adam Bowser, and \$2 million was distributed to Gomez.

In addition to \$2 million in partner distributions, OALC and FBA Stores paid approximately \$1.5 million to Gomez for service fees, including \$243,375.77 to Global Marketing Services and approximately \$1.26 million to Adams Consulting from 2016 to 2017.

The results of the review and analysis performed by the Temporary Receiver are discussed below.

Online Auction Learning Center Inc.

According to the corporate documents filed with the Commonwealth of Massachusetts, OALC was incorporated on December 30, 2013. Christopher Bowser, a 50% owner of OALC, is listed as its president and director, and Adam Bowser, a 50% owner of OALC, is listed as its treasurer, secretary and director. (Exhibit 5)

As previously discussed, it appears that very few of the pre-2016 transactions for OALC were recorded in the OALC's QuickBooks accounting file. The Temporary Receiver found a copy of the 2015S-Corporation Return for OALC prepared by Integrated Financial Services, an outside accounting service firm. This 2015S-Corporation Return shows the key financial information for 2014 and 2015 as set forth below.

³ The \$4.8 million distributed to Chris and Adam Bowser includes approximately \$3.04 million paid from OALC (including \$2.28 million distributed from FBA Stores to OALC) and \$1.75 million paid from FBA Stores to Chris and Adam Bowser or for their benefit.

Based on Federal Income Tax Summary on Page 1

	2015	2014	Total
Ordinary Income			
Gross Receipts Less Returns/Allowance	\$ 8,503,314	\$ 6,201,506	\$ 14,704,820
Cost of Goods Sold	6,278,930	4,931,892	11,210,822
Gross Profit	<u>\$ 2,224,384</u>	<u>\$ 1,269,614</u>	<u>\$ 3,493,998</u>
Total Income	<u>\$ 2,224,384</u>	<u>\$ 1,269,614</u>	<u>\$ 3,493,998</u>
Ordinary Deductions			
Compensation of Officers	\$ 159,538	\$ 90,000	\$ 249,538
Salary/Wages	459,302	247,560	706,862
Rents	81,816	33,700	115,516
Taxes and Licenses	71,330	37,491	108,821
Interest	6,167	18,750	24,917
Advertising	335,899	113,107	449,006
Other Deductions	933,294	471,923	1,405,217
Total Deductions	<u>\$ 2,047,346</u>	<u>\$ 1,012,531</u>	<u>\$ 3,059,877</u>
Ordinary business income (loss)	<u>\$ 177,038</u>	<u>\$ 257,083</u>	<u>\$ 434,121</u>

Based on Federal Income Tax
"Schedule L Balance Sheet Per Books" on Page 4

	Beginning of tax year	End of tax year
Assets		
Cash	\$ 129,949	\$ 142,124
Inventories	353,043	367,239
Buildings and other depreciable assets	-	-
Total assets	<u>\$ 482,992</u>	<u>\$ 509,363</u>
Liabilities and Shareholders' equity		
Other current liabilities	\$ 14,488	\$ 5,457
Loans from shareholders	34,484	-
Mortgages, notes and bonds payable	200,000	148,500
Capital Stock	2,000	2,000
Retained Earnings	232,020	353,406
Total liabilities and shareholders' equity	<u>\$ 482,992</u>	<u>\$ 509,363</u>

In addition, the income statements for OALC from January 1, 2016 to March 16, 2018 generated from OALC's QuickBooks accounting file are under Exhibit 6.

A profit and loss statement for OALC from January 1, 2014 to March 16, 2018, based on its available tax returns or accounting records, as applicable, is summarized below.

	Based on 2015 Tax Return		Based on QuickBooks Accounting			(In dollars)
	2014	2015	2016	2017	1/1/18~ 3/16/18	Total
Income						
Gross Sales and Income	6,201,506 ¹	8,625,731	10,223,338	1,242,497	176,187	26,469,259
Refunds and Chargebacks	-	(122,417)	(409,977)	(356,328)	(53,762)	(942,483)
Net Sales and Income	6,201,506	8,503,314	9,813,360	886,170	122,426	25,526,776
Cost of Goods Sold	4,931,892	6,278,930	2,783,481	-	-	13,994,303
Gross Profit	1,269,614	2,224,384	7,029,879	886,170	122,426	11,532,473
Expense						
Salary, Wages and Payroll	337,560	618,840	1,456,908	3,720	-	2,417,028
Advertising	113,107	335,899	820,929	64,002	31,081	1,365,018
Commissions	-	-	1,343,856	2,220	-	1,346,076
Event Expense	-	-	1,095,103	49,844	1,492	1,146,439
Rents	33,700	81,816	185,700	4,950	-	306,166
Other Expenses	528,164	1,010,791	1,159,008	309,177	249,612	3,256,752
Total Expense	1,012,531	2,047,346	6,061,504	433,913	282,185	9,837,479
Net Income (Loss)	257,083	177,038	968,375	452,257	(159,759)	1,694,994

¹ The 2014 gross sales and income information is not available from OALC's 2015 tax return. This sales amount is net of chargebacks and returns/refunds.

As shown above, more than \$26.4 million in sales were generated by OALC from January 1, 2014 to March 16, 2018. After refunds and chargebacks, net sales were approximately \$25.5 million. Sales declined significantly after 2016 because the sales operations were shifted from OALC to FBA Sales beginning in 2016.

Cost of goods sold from January 1, 2014 to March 16, 2018 totaled approximately \$14 million, and total expense was approximately \$9.8 million for the same period, which resulted in total net income of approximately \$1.7 million.

The balance sheet for OALC generated from its QuickBooks accounting file is under Exhibit 7. The balances as of March 16, 2018 for merchant reserves and bank accounts are more than \$971,000. The Temporary Receiver has frozen all known bank and merchant accounts, and confirmed the balances directly with the financial institutions or merchant processors. Please refer to the Bank and Merchant Accounts section for details.

According to OALC's books and records, approximately \$3.04 million was distributed to Adam and Chris Bowser by OALC, including \$2.28 million of profit received from FBA Stores, from its inception through March 16, 2018.

According to FBA Stores' books and records discussed later in this report, FBA Stores distributed approximately \$4 million to OALC as partner distributions in 2017. However, only \$2.28 million was deposited and received by OALC, which was not recorded as income on OALC's books but instead recorded as "Shareholder Distributions – Other" resulting in a reduction in the actual amount of distributions paid to Chris and Adam Bowser.

FBA Distributors LLC

According to the corporate documents filed with the Commonwealth of Massachusetts, FBA Distributors, formerly One Source Electronics LLC, was incorporated on March 31, 2014, with Adam Bowser and his wife, Cynthia Bowser, as its managers. The company filed an amendment on June 24, 2016, in which the company changed its name to FBA Distributors, and listed Adam Bowser and Chris Bowser as the managers. (Exhibit 8)

According to FBA Distributors' QuickBooks accounting file, there were no transactions recorded prior to December 31, 2015. The recorded transactions under its QuickBooks accounting file are from December 31, 2015 to March 22, 2018⁴.

As with OALC, it appears that pre-2016 transactions for FBA Distributors were not recorded in its QuickBooks accounting file. The Temporary Receiver found a copy of the "2015 U.S. Return of Partnership Income" (Form 1065) for FBA Distributors on its business premises in Weymouth, which was also prepared by Integrated Financial Services. This tax return shows 2015 financial information as follows:

⁴ The post-receivership date in FBA Distributors' accounting file is because an insurance expense of \$535 was accrued and recorded on March 12, 2018, but recorded to be paid on March 22, 2018.

	<u>2015</u>
Income	
Gross receipts or sales	\$ 896,605
Returns and allowances	<u>(94,580)</u>
Balance	\$ 802,025
Cost of goods sold	<u>763,246</u>
Total Income	\$ 38,779
Deductions	
Commissions	13,923
Office expense	1,336
Taxes and licenses	520
Bank charges	<u>35</u>
Total Deductions	<u>\$ 15,814</u>
Ordinary Income	<u><u>\$ 22,965</u></u>

Federal Income Tax Schedule L Balance Sheet Per Books on Page 5

	<u>Beginning of tax year</u>	<u>End of tax year</u>
Assets		
Cash	\$ 4,603	\$ 178
Inventories	53,161	29,188
Total assets	<u>\$ 57,764</u>	<u>\$ 29,366</u>
Liabilities and Shareholders' equity		
Partners' capital	57,764	57,764
Distributions	-	(51,363)
Net Income	-	22,965
Total liabilities and shareholders' equity	<u>\$ 57,764</u>	<u>\$ 29,366</u>

FBA Distributors' profit and loss statement from January 2016 to March 2018 generated from its QuickBooks accounting file is under Exhibit 9.

The profit and loss statement for FBA Distributors from January 2015 to March 2018, based on its available tax returns or accounting records, as applicable, is summarized below.

(In dollars)

	Based on	Based on QuickBooks Accounting			TOTAL
	Tax Return	2016	2017	1/2018~ 3/2018	
	2015				
Income					
Gross Sales and Income	896,605	4,149,972	1,795,934	22,045	6,864,557
Refunds	(94,580)	(98,402)	(490,609)	-	(683,591)
Total Income	802,025	4,051,570	1,305,325	22,045	6,180,966
Cost of Goods Sold	763,246	3,095,478	1,767,192	682	5,626,599
Gross Profit	38,779	956,092	(461,867)	21,363	554,367
Expense	15,814	964,642	299,393	11,425	1,291,275
Other Income/(Expense)	-	-	(4,025)	-	(4,025)
Net Income	22,965	(8,551)	(765,285)	9,938	(740,933)

Approximately \$6.9 million in gross sales were generated by FBA Distributors from January 2015 to March 2018. After refunds and chargebacks, the net sales totaled nearly \$6.2 million. The cost of goods sold was approximately \$5.6 million for the same period, resulting in total gross profit of about \$554,000. Total expense was approximately \$1.29 million from January 2015 to March 2018, and the total net loss for the same period was about \$741,000.

FBA Distributors' balance sheet from January 2016 to March 2018 generated from its QuickBooks accounting file is under Exhibit 10.

According to its books and records, there were no significant assets other than the bank account balances.

FBA Stores LLC

FBA Stores was incorporated in the state of Nevada on September 23, 2016. FBA Stores' corporate documents list Adam Bowser as the president and treasurer. Chris Bowser is listed as the vice president, and Gomez is listed as vice president. (Exhibit 11)

The Temporary Receiver found the “Confidential Membership Manager Listing and Capital Provisions Agreement of FBA Stores LLC” (Exhibit 12) at the Receivership Entities’ business premises in Weymouth, Massachusetts and in Upland, California. This agreement shows the ownership of FBA Stores as follows:

	<u>Capital Contribution</u>	<u>Percentage Interest</u>
Online Auction Learning Center Inc.	\$2,000.00 Cash or Check	66.67%
Global Marketing Services LLC	\$1,000.00 Cash or Check	33.33%

The financial statements for FBA Stores generated from its QuickBooks accounting file are under Exhibits 13 and 14. A profit and loss statement from its inception through March 16, 2018 is also summarized below.

Total cost of goods sold for FBA Stores from its inception through March 16, 2018 was approximately \$3.3 million, less than 5% of the total income for the same period. This is because the Receivership Entities spent far more on marketing, advertising, seminars, conference events and travel to promote their business opportunity and attract consumers to join their programs than they spent on product.

FBA Stores’ total expense from its inception through March 16, 2018 was approximately \$57.8 million, which resulted in a total of approximately \$6.1 million in net income for the same period.

(In dollars)

	2016	2017	1/1/18~ 3/16/18	TOTAL
Income				
Sales and Other Income	7,759,741	58,280,805	3,656,998	69,697,544
Refunds and Chargebacks	(437,925)	(2,055,659)	(48,545)	(2,542,129)
Total Income	7,321,816	56,225,146	3,608,453	67,155,414
Cost of Goods Sold	885,675	2,405,754	33,231	3,324,659
Gross Profit	6,436,141	53,819,392	3,575,222	63,830,755
Expense				
Outside Services	2,154,236	16,817,792	1,146,298	20,118,326
Marketing Expense	597,824	5,345,702	241,851	6,185,377
Advertising	659,376	4,580,147	886,028	6,125,550
Seminars and Conference Space	189,955	5,383,954	168,452	5,742,361
Payroll Expense	653,487	3,984,530	466,092	5,104,109
Travel Expense	622,291	3,574,900	427,155	4,624,347
Merchant Charges and Bank Fees	260,970	2,183,093	52,544	2,496,607
Seminar Expenses	401	1,375,491	686,654	2,062,545
Bonus Product	-	1,437,439	23,500	1,460,939
Printing Expense	43,664	865,130	12,925	921,719
Legal and Other Professional Exp.	128,068	513,150	40,086	681,303
Office Expenses	50,405	388,388	9,843	448,635
Rent Expense	1,550	396,252	49,824	447,626
Computer and Internet	4,806	381,856	56,196	442,858
Warehouse Expense	420	189,477	6,175	196,072
Insurance	-	128,610	19,548	148,158
Meals and Entertainment	21,066	106,314	10,828	138,209
Telephone	1,352	85,543	23,279	110,174
Postage and Delivery	5,929	40,323	1,729	47,982
Utilities	-	40,912	2,776	43,688
Other Expenses	1,997	229,177	(1,658)	229,516
Total Expense	5,397,796	48,048,180	4,330,124	57,776,100
Net Other Income	-	2,378	-	2,378
Net Income	1,038,345	5,773,590	(754,901)	6,057,033

According to its accounting records, the following is a list of the significant expenses paid by FBA Stores, including for outside services, marketing, advertising, and expenses for seminars and conferences, which represent more than 90% of the total expenses.

	<u>Amount</u>	<u>% of Total Expenses</u>
Outside Services	\$ 20,118,326.34	34.82%
Marketing Expense	6,185,376.81	10.71%
Advertising	6,125,550.00	10.60%
Seminars and Conference ¹	7,804,906.14	13.51%
Travel Expense	4,624,346.78	8.00%
Payroll Expense	5,104,108.67	8.83%
Merchant Charges and Bank Fees	2,496,606.78	4.32%
	<u>\$ 52,459,221.52</u>	<u>90.80%</u>
Total Expenses	<u>\$ 57,775,680.27</u>	

¹ Expense for "seminars and conference space" and "seminar expenses" are included.

Outside service expense is the most significant expense on FBA Stores' books, which totaled appropriately \$20.1 million, or 34.8% of the total expenses, from January 1, 2016 to March 16, 2018. Outside service expense was paid to independent contractors or outside consulting companies, including for event speakers (\$6.45 million), deal closers (\$6.04 million), coaching (\$1.98 million), seminar directors (\$1.9 million), and commissions (\$1.02 million). A list of the outside service expense is summarized and sorted by payee under Exhibit 15.

Marketing and advertising expenses from January 1, 2016 to March 16, 2018 were approximately \$12.3 million, or 21.3% of the total expenses, many of which were initially charged to credit cards, including American Express and Bank of America, and then paid by FBA Stores. The Temporary Receiver reviewed and analyzed the transaction details for marketing and advertising expense. Most of the marketing and advertising expenses are paid to the following vendors, including significant payments to Gomez's companies, including Adams Consulting and Global Marketing Services, and for his credit card bills (which were primarily recorded as "Marketing Expense – Jeff" on the books).

Based on FBA Stores' QuickBooks Accounting Records and Transaction Details From January 1, 2016 to March 16, 2018			
Payee	Account	Amount	Subtotal
Facebook	Advertising	\$ 1,708,152.77	\$ 2,528,135.55
	Marketing	\$ 819,982.78	
Americasprinter.com	Advertising	\$ 2,012,565.11	\$ 2,012,565.11
Clicks and Clients Inc	Marketing	\$ 861,999.94	\$ 1,066,467.28
	Advertising	\$ 204,467.34	
American Name Services	Advertising	\$ 714,566.95	\$ 714,566.95
<u>Gomez-Related Companies and Credit Card Bills</u>			
Adams Consulting	Marketing	\$ 593,115.60	\$ 4,766,925.69
	Advertising	\$ 451,192.58	
Global Marketing Services	Advertising	\$ 223,375.77	
Bank of America	Marketing	\$ 637,377.20	
American Express	Marketing	\$ 2,861,864.54	
Others Payees			\$ 1,222,266.23
Total			\$ 12,310,926.81

FBA Stores also paid a significant amount of expenses for seminars, conferences events, and related travel expense to promote their business and attract more consumers to enroll in their programs. These expenses totaled approximately \$12.4 million from January 1, 2016 to March 16, 2018, representing 21.5% of the total expenses for the same period.

FBA Stores' balance sheet is under Exhibit 14. The most significant assets under OALC are merchant reserves and bank account balances, which total more than \$7.7 million as of March 16, 2018. According to the Controller, these large merchant reserve balances are because many of the merchant processors shut down and closed FBA Stores' merchant account processing in December 2017 and the merchant processors are still holding these reserve balances.

The Temporary Receiver also observed significant balances in credit cards under "Liabilities." As previously discussed, many of FBA Stores' operating expenses were initially charged through credit cards and later paid by the company. According to the Controller, the positive balances are the charges under each of the credit cards, and the negative balances are the payments made by FBA Stores to credit card companies to cover the credit card bills. The credit card bills paid by FBA Stores totaled more than \$13.1 million through March 16, 2018, which include \$10.8 million to Bank of America and \$2.3 million to American Express.

FBA Stores generated approximately \$6.1 million in net income from its inception through March 16, 2018. According to its books and records, \$4.03 million was distributed to OALC in 2017, which is co-owned by Adam and Chris Bowser, and \$2,005,000 was distributed to Global Marketing Services in 2017, which is owned by Gomez. These amounts are consistent with those companies' ownership interests in FBA Stores, which are 66.67% and 33.33%, respectively.

As previously discussed, only \$2,280,000 out of \$4.03 million was paid to OALC in 2017. The remaining \$1.75 million was paid to Chris and Adam Bowser or for their benefit.

Global Marketing Services

As previously discussed, Global Marketing Services was a 33.33% member of FBA Stores until December 20, 2016. Global Marketing Services was incorporated on September 28, 2016 in the State of Nevada. According to Global Marketing Services' corporate documents (Exhibit 16), Gomez is the president and treasurer of Global Marketing Services. The owners of Global Marketing Services, dba GMS, are First Capital Group LLC (99.5%) and Alma Kelly (0.5%).

First Capital Group LLC (First Capital Group) was incorporated on September 23, 2016 in the State of Nevada. According to First Capital Group's corporate documents (Exhibit 17), Gomez is the president and 100% owner.

In a series of email exchanges in December 2016 between Gomez and a representative from US Merchant Systems regarding the merchant account for FBA Stores (Exhibit 18), Gomez stated that, "There are three locations for this company. One in Boston, One in Las Vegas. One in Upland ca". "Chris and Adam are partners. They are listed on The Articles of Incorporation. I am not listed for Asset Protection reasons." This may explain the multiple tiers of ownership set up for Gomez's ownership interest in FBA Stores.

As noted above, email exchanges between Adam Bowser and Gomez (Exhibit 19) demonstrate that Gomez was heavily involved in the Receivership Entities merchant processing activities, including merchant account set-up, operations and negotiations with the merchant processors.

In addition to merchant account activities, the email correspondence from Gomez at Exhibit 20 demonstrate that Gomez also directly participated in or was involved in marketing, recruiting, training, managing the seminars/events and program pricing for FBA Stores.

Since Gomez's participation in the Receivership Entities' business, the revenue nearly quintupled as compared to the same period in 2016. From January to September 2016, the Receivership Entities generated approximately \$8.6 million in net revenue. After Gomez's involvement from October to December 2016, the Receivership Entities generated approximately \$12.6 million in net revenue, which is \$4 million higher than the previous nine-

month period. In 2017, the net revenue grew even more significantly to approximately \$58.4 million.

FBA Stores distributed a total of \$2,005,000 to Global Marketing Services as partner distributions from January 2, 2017 to December 12, 2017, which was recorded as “Global Marketing Distributions.”

In addition to partner distributions, FBA Stores paid a total of \$243,375.77 to Global Marketing Services, which payments were all marked under “Memo” as various service fees paid to or for the benefit of Gomez, as set forth below:

Downloaded from FBA Stores' QuickBooks Accounting File

Date	Name	Memo	Account	Amount
2/6/17	Global Marketing Services	February Contract Service, Jeff	Outside Services	\$ 10,000.00
1/25/17	Global Marketing Services	Jeff Adams January Consulting	Consulting Expense	10,000.00
1/17/17	Global Marketing Services	CA advertising expense paid by Jeff - need breakdown of all LA previews	Advertising	173,706.76
1/17/17	Global Marketing Services	VA advertising expense paid by Jeff	Advertising	<u>49,669.01</u>
Total				<u>\$ 243,375.77</u>

The Temporary Receiver has identified a Bank of America account in the name of Global Marketing Services, which is currently frozen and has a confirmed balance of \$ 1,305,422.77. Attached at Exhibit 21 is a signature card and limited liability company resolution the Temporary Receiver obtained from Bank of America. Jose Sambolin⁵, not Gomez, is listed as the sole signatory on the account. According to Gomez, Mr. Sambolin is a long-time personal friend and has no involvement in Global Marketing Services' operations. He stated the Mr. Sambolin was a Member of Global Marketing Services, but subsequently resigned. However, Mr. Sambolin remains sole signatory on Global Marketing Services' bank account.

⁵ The Temporary Receiver redacted Mr. Sambolin's personal information.

AWS LLC

AWS LLC (AWS) was incorporated on July 11, 2017 in the State of Nevada with Adam Bowser listed as its manager. Please refer its corporate documents and the public records from the State of Nevada at Exhibit 22.

In addition, the Temporary Receiver found a document entitled “Certificate of Business: Fictitious Firm Name” filed on September 18, 2017 (Exhibit 23) with the State of Nevada, which shows FBA Stores registered AWS as a fictitious business name.

The Temporary Receiver has not located separate accounting records for AWS so far. According to the Receivership Entities’ counsel, AWS’s tax identification number is the same as FBA Stores.

Info Pros LLC

Info Pros LLC (Info Pros) was incorporated in the State of Nevada on December 16, 2017 with Marshall listed as its officer and manager. Info Pros also filed an application with the State of Nevada on January 4, 2018 for a fictitious firm name of, or doing business as, Online Seller. Marshall signed this application as its principal. (Exhibit 24)

Info Pros’ QuickBooks accounting file recorded transactions from January 23, 2017 through March 21, 2018. The post-receivership date is because certain expenses, totaling \$1,595.57, were recorded and postdated for March 20 or 21, 2018.

The financial statements downloaded from Info Pros’ QuickBooks Accounting file are under Exhibit 25.

According to its books and records, more than \$3.6 million in sales were generated and recorded by Info Pros from January 23, 2018 to March 15, 2018. Total expenses from January 2018 to March 2018 were approximately \$349,000, resulting in approximately \$3.3 million in net income for the same period.

Info Pros’ balance sheet as of March 21, 2018 shows approximately \$2.8 million in accounts receivable and \$628,000 in undeposited funds as assets. The Temporary Receiver is still investigating these accounting entries and asked Adam Bowser about these entries. Mr. Bowser indicated these entries may be due to the fact that the QuickBooks accounting records were not updated timely and consumers’ checks and wires were not properly reconciled or timely reconciled to the amounts cleared in the banks. The Controller is currently working with the former CFO to reconcile these account balances to more accurately reflect the actual revenue earned.

Merchant Statements and Activities

According to the Controller, the primary merchant processors used by the Receivership Entities include EVO Payments International (EVO), Qualpay, Inc. (Qualpay), Electronic Merchant Systems (EMS), and Paypal.

Except for EVO, the Temporary Receiver gained online access through the Controller's computer to the Receivership Entities' accounts under these merchant processors' websites and downloaded all the available merchant statements or reports directly from the websites. The Temporary Receiver also found paper and electronic merchant statements for EVO at the Receivership Entities' business premises.

The sales, refunds and chargebacks based on all currently available merchant statements and transaction reports are summarized below. Out of approximately \$66.2 million of sales from July 2016 to February 2018, approximately \$10.4 million were subject to refunds and chargebacks, or about 15.7% in refunds and chargebacks. This level of refunds and chargebacks indicates a high level of consumer dissatisfaction.

<u>Merchant</u>	<u>Time Period</u>	<u>Gross Sales</u>	<u>Refunds and Chargebacks</u>	<u>Refunds and Chargebacks/ Gross Sales</u>
EVO	10/2016~1/2018	\$ 28,317,383.74	\$ 4,865,774.12	17.18%
Qualpay	12/2016~2/2018	26,824,085.92	3,893,868.72	14.52%
Paypal	7/2016~2/2018	2,149,929.83	225,045.34	10.47%
EMS	11/2016~2/2018	8,950,407.35	1,405,551.83	15.70%
Total		<u>\$ 66,241,806.84</u>	<u>\$ 10,390,240.01</u>	

Average Rate of Refunds and Chargebacks to Sales 15.7%

Additionally, the following table displays the refunds and chargebacks for 2017 recorded on the books as compared and reconciled to 2017 refunds and chargebacks based on available merchant statements. This table shows 2017 refunds and chargebacks on the books were understated by at least \$6.2 million. As previously discussed, much of sales revenue recorded on the books is net of refunds and chargebacks. Therefore, the gross revenue of approximately \$106.7 million recorded on the books appears to be understated by at least \$6.2 million.

Based on Merchant Statements		Based on Accounting Books	
Merchant	2017 Refunds and Chargebacks	Entity	2017 Refunds and Chargebacks
Qualpay	\$ 3,740,726.61	OALC	\$ 356,327.58
EMS	\$ 1,248,473.13	FBA Stores	\$ 2,055,644.13
EVO	\$ 4,150,712.67	FBA Distributors	\$ 490,609.38
Paypal	\$ 42,476.21	Info Pros	\$ -
Total	<u>\$ 9,182,388.62</u>		<u>\$ 2,902,581.09</u>

Understatement of refunds and chargebacks
on the Receivership Entities' books \$ 6,279,807.53

The information and transaction details for sales, refunds and chargebacks through these merchant processors are detailed below.

- **EVO**

The Temporary Receiver reviewed the available EVO statements from October 2016 to January 2018, and noted that merchant statements are all addressed to FBA Stores, with various mailing addresses in Upland, California:

- P.O. Box 1718
- 201 N. First Ave., Suite 104
- 154-A Foothill Blvd., Ste. 325

The Receivership Entities' monthly transactions processed through EVO from October 2016 to January 2018, based on its monthly merchant statements, are listed and summarized below.

Month	# of Sales	\$ Sales	# of Credits	\$ Credits	Net Sales	Chargebacks
January-18	-	\$ -	3	\$ 2,490.00	\$ (2,490.00)	\$ 71,077.02
December-17	323	\$ 842,598.68	31	\$ 71,627.12	\$ 770,971.56	\$ 109,995.00
November-17	684	\$ 2,034,800.73	90	\$ 249,609.79	\$ 1,785,190.94	\$ 104,253.86
October-17	465	\$ 1,787,469.40	155	\$ 225,694.55	\$ 1,561,774.85	\$ 80,427.50
September-17	678	\$ 1,786,768.22	148	\$ 311,610.83	\$ 1,475,157.39	\$ 81,017.70
August-17	737	\$ 2,359,708.93	209	\$ 382,950.48	\$ 1,976,758.46	\$ 101,937.50
July-17	755	\$ 2,235,460.91	61	\$ 104,510.90	\$ 2,130,950.01	\$ 100,820.48
June-17	678	\$ 1,881,074.40	103	\$ 259,354.50	\$ 1,621,719.90	\$ 100,960.00
May-17	378	\$ 1,259,531.80	92	\$ 182,885.75	\$ 1,076,646.05	\$ 77,745.00
April-17	412	\$ 1,868,438.44	107	\$ 356,165.00	\$ 1,512,273.44	\$ 102,365.00
March-17	694	\$ 2,438,467.52	123	\$ 416,767.51	\$ 2,021,700.01	\$ 66,165.00
February-17	718	\$ 2,340,612.26	114	\$ 272,086.50	\$ 2,068,525.75	\$ 68,445.00
January-17	590	\$ 2,066,588.03	137	\$ 288,137.70	\$ 1,778,450.33	\$ 35,180.00
December-16	616	\$ 1,682,938.28	107	\$ 334,813.71	\$ 1,348,124.57	\$ 29,454.78
November-16	625	\$ 1,755,303.92	78	\$ 216,255.94	\$ 1,539,047.98	\$ 21,475.00
October-16	420	\$ 1,977,622.22	5	\$ 39,495.00	\$ 1,938,127.22	\$ -
Total	8,773	\$ 28,317,383.74	1,563	\$ 3,714,455.28	\$ 24,602,928.46	\$ 1,151,318.84
				<A>		

Total refunds and chargebacks \$ 4,865,774.12 <A>+

- **EMS**

According to “EMS Data” for the Receivership Entities located on EMS’ online website (Exhibit 26), the merchant name for the account is listed as Amazon Training, with an address of 154-A W. Foothill Blvd., Suite A#325, Upland, California. Gomez is listed as its owner and manager.

The available monthly merchant statements downloaded from EMS’ online website also show that statements were all addressed to Gomez as the holder of FBA Stores merchant account at various addresses:

- PO Box 4470, Stateline, Nevada
- 201 N. 1st Ave., Ste. 104, Upland, California
- 154 W. Foothill Blvd., Ste. A #325, Upland, California

The monthly transactions for sales, refunds, and chargebacks, based on available EMS monthly merchant statements from November 2016 to February 2018, are listed and summarized below.

Billing Month	# of Sales	\$ Sales	# of Credits	\$ Credits	\$ Net Sales	\$ Chargebacks
February-18	-	\$ -	-	\$ -	\$ -	\$ 20,305.00
January-18	-	\$ -	-	\$ -	\$ -	\$ 78,965.00
December-17	151	\$ 384,165.17	17	\$ 49,109.61	\$ 335,055.56	\$ 13,220.00
November-17	429	\$ 1,015,411.10	86	\$ 173,586.51	\$ 841,824.59	\$ 35,624.58
October-17	355	\$ 954,006.06	92	\$ 102,815.25	\$ 851,190.81	\$ 29,921.78
September-17	404	\$ 974,306.64	81	\$ 217,986.35	\$ 756,320.29	\$ 39,965.00
August-17	391	\$ 1,008,820.05	69	\$ 92,208.20	\$ 916,611.85	\$ 40,485.00
July-17	267	\$ 813,324.00	18	\$ 15,930.45	\$ 797,393.55	\$ 17,240.00
June-17	181	\$ 494,659.50	40	\$ 54,754.00	\$ 439,905.50	\$ 990.00
May-17	162	\$ 441,504.45	36	\$ 69,189.85	\$ 372,314.60	\$ 9,990.00
April-17	132	\$ 519,259.30	24	\$ 114,195.29	\$ 405,064.01	\$ 12,175.00
March-17	152	\$ 615,927.51	18	\$ 35,774.70	\$ 580,152.81	\$ 1,495.00
February-17	85	\$ 395,101.16	22	\$ 43,441.56	\$ 351,659.60	\$ 5,110.00
January-17	179	\$ 574,524.51	27	\$ 68,265.00	\$ 506,259.51	\$ 5,000.00
December-16	176	\$ 415,642.01	36	\$ 43,823.70	\$ 371,818.31	\$ 3,985.00
November-16	161	\$ 343,755.89	1	\$ 10,000.00	\$ 333,755.89	\$ -
Total	<u>3,225</u>	<u>\$ 8,950,407.35</u>	<u>567</u>	<u>\$ 1,091,080.47</u>	<u>\$ 7,859,326.88</u>	<u>\$ 314,471.36</u>
				<A>		

Total refunds and chargebacks \$ 1,405,551.83 <A> +

- **Qualpay**

The Temporary Receiver reviewed all the merchant statements downloaded from Qualpay's website, and noted that the statements are all addressed to FBA Stores at two mailing addresses in Upland, California:

- 201 N. 1st Ave., Ste. 104
- 154 W. Foothill Blvd., Ste. A

The monthly transactions for sales, refunds, and chargebacks, based on available Qualpay monthly merchant statements from December 2016 to February 2018, are listed and summarized below.

Billing Month	# of Sales	\$ Sales	# of Refunds	\$ Refunds	\$ Net	\$ Chargebacks
February-18	-	\$ -	-	-	-	\$ 54,002.50
January-18	-	\$ -	-	-	-	\$ 87,184.61
December-17	370	\$ 1,010,375.14	62	\$ 132,480.23	\$ 877,894.91	\$ 102,457.58
November-17	1,190	\$ 2,906,027.66	154	\$ 258,272.00	\$ 2,647,755.66	\$ 27,938.93
October-17	636	\$ 1,996,394.55	139	\$ 239,898.05	\$ 1,756,496.50	\$ 21,193.86
September-17	848	\$ 2,112,286.23	245	\$ 409,550.24	\$ 1,702,735.99	\$ 39,182.87
August-17	948	\$ 2,419,868.06	297	\$ 486,014.03	\$ 1,933,854.03	\$ 102,074.82
July-17	1,161	\$ 2,863,336.40	134	\$ 156,801.04	\$ 2,706,535.36	\$ 91,665.00
June-17	828	\$ 2,196,280.70	128	\$ 188,590.80	\$ 2,007,689.90	\$ 14,956.00
May-17	584	\$ 1,671,253.90	152	\$ 300,006.83	\$ 1,371,247.07	\$ 22,385.00
April-17	596	\$ 2,012,105.55	93	\$ 369,404.82	\$ 1,642,700.73	\$ 150,770.00
March-17	661	\$ 2,361,290.02	117	\$ 270,612.50	\$ 2,090,677.52	\$ 21,475.00
February-17	593	\$ 2,490,063.67	66	\$ 182,380.00	\$ 2,307,683.67	\$ 2,747.50
January-17	551	\$ 1,996,064.54	76	\$ 123,374.51	\$ 1,872,690.03	\$ 26,495.00
December-16	247	\$ 788,739.50	10	\$ 9,455.00	\$ 779,284.00	\$ 2,500.00
Total	9,213	\$ 26,824,085.92	1,673	\$ 3,126,840.05	\$ 23,697,245.37	\$ 767,028.67
				<A>		

Total refunds and chargebacks \$ 3,893,868.72 <A> +

- **Paypal**

The Temporary Receiver downloaded the available annual financial summary reports, monthly statements, and transaction details for the Receivership Entities directly from Paypal's online website. Transactions processed through Paypal were from July 1, 2016 to March 16, 2018. The reports and statements are addressed to OALC at 293 Libbey Industrial Parkway, #250, Weymouth, MA.

The sales, refunds and chargebacks, based on Paypal's annual financial summary reports, are summarized below. Many more transactions were processed through Paypal during 2018, when sales exceeded \$1 million for two and one-half months, as compared to the prior years. This was because the merchant processors stopped merchant processing for the Receivership Entities in December 2017.

Year	Payments Received	Refunds Sent	Sales Activity	Chargebacks and Disputes	Dispute Reimbursement	Dispute Activity
2016	\$ 480,436.72	\$ 27,010.00	\$ 453,426.72	\$ 55,065.83	\$ (27,333.33)	\$ 27,732.50
2017	\$ 600,734.13	\$ 41,089.99	\$ 559,644.14	\$ 3,128.26	\$ (1,742.04)	\$ 1,386.22
2018	\$ 1,068,758.98	\$ 94,200.00	\$ 974,558.98	\$ 75,294.90	\$ (41,668.27)	\$ 33,626.63
Total	\$ 2,149,929.83	\$ 162,299.99	\$ 1,987,629.84	\$ 133,488.99	\$ (70,743.64)	\$ 62,745.35
		<A>				

Total refunds, chargebacks and disputes \$ 225,045.34 <A> +

Other Affiliated Entities

The Temporary Receiver also discovered a number of other entities which appear to be formed for the purpose of opening new accounts, diverting and/or shielding business operations, holding assets and acting as affiliates or successors to the Receivership Entities. These entities include:

- Info Solutions, LLC
- eLearn Service, LLC
- E-Learn Services Ltd.
- Sell On AMZ Inc. and Buy Box Wholesale Inc.
- Sellers Hangout
- Auction Profit Builders LLC and Insider Online Secrets
- Adams Consulting LLC
- Amazon online stores owned by Bowser Family

The information discovered and documents obtained about these affiliated entities are discussed below.

Info Solutions LLC

As discussed above, Info Solutions, LLC (Info Solutions) was the company that entered into the lease agreement on March 23, 2015 for the Receivership Entities' Logandale location.

According to the State of Nevada, Info Solutions was formed on January 17, 2013. Adam Bowser, Chris Bowser, and Marshall were listed as its managing members. Info Solutions' corporate documents and public records from the State of Nevada are attached at Exhibit 27.

Info Solutions is an affiliate of the Receivership Entities and is a Receivership Entity as defined in the TRO. The Temporary Receiver has identified and frozen its merchant and bank accounts. Info Solutions has a bank account at America First Credit Union with a balance of \$10,135.10.

eLearn Service LLC

eLearn Service LLC (eLearn Service) was incorporated on January 29, 2018 in the State of Nevada. Marshall is listed as its manager and Guardian Law LLC (Guardian Law) is listed as its registered agent. Info Pros is the sole member of eLearn Service.

According to email correspondence from Guardian Law to the Receivership Entities' Controller on February 16, 2018, this entity is used to pay employees and contractors. This email, with an attachment, is at Exhibit 28. It appears that eLearn Service was formed to act as a successor and/or an affiliate of the Receivership Entities and is a Receivership Entity as defined in the TRO.

The Temporary Receiver has identified and frozen its bank accounts with Bank of America.

E-Learn Services Ltd.

The Temporary Receiver discovered documents indicating the Receivership Entities formed an offshore entity, E-Learn Services Ltd, in the United Kingdom on December 20, 2017. Marshall is its sole owner and director (Exhibit 29). This entity is believed to be a Receivership Entity as defined in the TRO.

The accounting records for E-Learn Services Ltd. have not been made available and the Temporary Receiver is not aware of any offshore assets.

Sell On AMZ Inc. and Buy Box Wholesale Inc.

According to the State of New York, Buy Box Wholesale Inc. (Buy Box Wholesale) was incorporated on March 10, 2017 and Sell On AMZ Inc. (Sell on AMZ) was incorporated on March 16, 2017 (Exhibit 30).

According to a “Certificate of Incorporation of Buy Box Wholesale Inc” at Exhibit 31, Adam Bowser is the incorporator. He also signed the Certificate of Incorporation.

Email correspondence dated March 15, 2018 at Exhibit 32, addressed to the Receivership Entities’ Controller states that “all of Buybox transactions were run through FBA Distributors and all of Sell on AMZ just became a product line for FBA Stores.”

An email to Adam Bowser on April 5, 2017 with a subject line of “Sell on Amz and BuyBox paperwork” together with attachments are under Exhibit 33. Adam Bowser and Nikunj Agarkwal, an employee of FBA Stores, were listed as the signors on the bank accounts. These documents show that Adam Bowser is in control of these two entities.

An email dated June 1, 2017 from Adam Bowser under Exhibit 34 indicates that Sell on AMZ is the entity for www.categoryapproved.com.

The Temporary Receiver also received an email on April 2, 2018 (Exhibit 35) from an individual who states that he was an independent contractor for a company called “Sell AMZ Online” DBA Category Approved. He states that Sell AMZ Online is a subsidiary or sister company to AWS LLC and owned by Adam Bowser, and that Sell AMZ Online is doing the same type of business as the other Receivership Entities.

These two entities are Receivership Entities as defined in the TRO.

Sellers Hangout

On March 30, 2018, the Temporary Receiver was told that a consumer was charged on March 26, 2018 by the Receivership Entities, for “Sellers Hangout,” a website that Online Sellers offered its customers as a “resource.” The Temporary Receiver obtained a copy of credit card billing information for this charge which included a telephone number. The Temporary Receiver called the number, which was routed to a voicemail of Jason Brown, an employee of FBA Stores and a cousin of Chris and Adam Bowser.

Based on email sent from Adam Bowser on February 27, 2018 (Exhibit 36), Mr. Bowser created Sellershangout.com as a \$49/month continuity program. He stated that he wanted to keep Sellers Hangout separate from On Line Seller, so he created its own merchant processing and entity for Sellers Hangout. According to this email, Sellers Hangout will pay On Line Seller for any students it drives to the Sellers Hangout site.

According to the email correspondence from and to Adam Bowser between February 21, 2018 and March 16, 2018 at Exhibit 37, Sellers Hangout is a successor to the Receivership Entities and controlled by Adam Bowser. Mr. Bowser appears to have attempted to remove references to himself and the Receivership Entities in order to mask its relationship to the Receivership Entities. However, this entity is a Receivership Entity as defined in the TRO.

Auction Profit Builders LLC and Insider Online Secrets LLC

The Temporary Receiver has identified a number of bank and merchant accounts under the name of Auction Profit Builders LLC (dba Insider Online Secrets) and Insider Online Secrets, LLC.

According to the public records from the Commonwealth of Massachusetts, Insider Online Secrets LLC was incorporated on January 18, 2012. Chris Bowser was its sole member. This entity was cancelled on December 30, 2013. The reason given for the cancellation was that the sole member wanted to close the LLC and start operating as an S- Corporation. The public records concerning Insider Online Secrets LLC are at Exhibit 38.

The Temporary Receiver has been unable to locate the corporate documents for Auction Profit Builders LLC (Auction Profit Builders). However, a copy of the bank statement for Auction Profit Builders obtained from Rockland Trust Bank shows that Auction Profit Builders does business as Insider Online Secrets, with an address of 94 Reservoir Park Drive, Rockland, MA. This business address was also used by OALC and is listed on OALC's Articles of Organization, as well as OALC's 2013 and 2014 annual reports filed with the Commonwealth of Massachusetts.

The Temporary Receiver has determined that these two entities are affiliates of the Receivership Entities and are Receivership Entities as defined in the TRO. The Temporary Receiver also has identified and frozen their bank and merchant accounts. Auction Profit Builders has a bank account at Rockland Trust Bank with a balance of \$ 24,392.56.

Adams Consulting LLC

Adams Consulting was incorporated on December 20, 2015 in California. According to the public records from the California Secretary of State (Exhibit 39), Adams Consulting's business address is 154-A W. Foothill Blvd., Suite 325, Upland, California, the same address for the Receivership Entities listed under EVO and EMS merchant statements as discussed above. Gomez is listed as manager for Adams Consulting.

According to Gomez, Adams Consulting is his private company, which performed consulting work for the Receivership Entities and also provided real estate consulting services to others.

As previously discussed, the consulting agreement entered into between FBA Stores and Adams Consulting dated October 1, 2016 shows that FBA Stores would pay Adams Consulting \$5,000 per month for services and reimburse Adams Consulting for all actual, reasonable and necessary expenditures.

The Temporary Receiver obtained a copy of a “Merchant Account Change Form” signed by Gomez on September 26, 2016 (Exhibit 40). This document confirms that Gomez was seeking to change the merchant account in the name of Adams Consulting to a new account in the name of FBA Stores.

In addition, according to the Receivership Entities’ books and records, FBA Stores paid approximately \$1.26 million to Adams Consulting from October 2016 to December 2017, as set forth below.

<u>Paid By</u>	<u>Time Period</u>	<u>Account</u>	<u>Amount</u>
FBA Stores	10/28/16~12/1/16	Advertising	\$ 451,192.58
FBA Stores	10/10/16~12/19/17	Consulting Expense	151,392.67
FBA Stores	11/1/16~7/20/17	Marketing Expense	593,115.60
			<u>\$ 1,195,700.85</u>
OALC	8/12/16~12/3/16	Commissions	65,549.00
			<u>\$ 1,261,249.85</u>

As previously discussed, the 2016 Forms 1099-MISC provided by Gomez (Exhibit 4) show that Adams Consulting received \$695,965.69 from OALC and \$655,441.55 from FBA Stores, respectively. These amounts are much greater than \$5,000 per month pursuant to the consulting agreement.

The Temporary Receiver also reviewed and reconciled these 2016 amounts to related accounting books and records as shown below.

<u>From</u>	<u>Year</u>	<u>Expense Amounts Per Books</u>	<u>Amount on Form 1099</u>	<u>Difference</u>
OALC	2016	\$ 65,549.00	\$ 695,965.69	\$(630,416.69)
FBA Stores	2016	1,063,711.24	655,441.55	408,269.69
Total		<u>\$ 1,129,260.24</u>	<u>\$ 1,351,407.24</u>	<u>\$(222,147.00)</u>

The differences are due to the following:

- The total of \$630,416.69, including \$501,953.66 in marketing expense and \$128,463.03 in advertising expense, was recorded as expenses on FBA Stores' books but paid through OALC to Adams Consulting. These amounts were included and reported on OALC's Forms 1099 instead of an FBA Stores Form 1099.
- A payment of \$222,147 to Adams Consulting on November 1, 2016 was recorded as marketing expense on FBA Stores' books. However, this amount was double reported on FBA Stores' Form 1099-MISC and OALC's Form 1099-MISC. According to the Receivership Entities' accounting and banking records, this amount was paid by OALC to Adams Consulting on November 1, 2016. This same amount was wired from FBA Stores to OALC two days later on November 3, 2016.

Adams Consulting is a named Receivership Entity pursuant to the recently entered Stipulated Temporary Restraining Order.

Personal Amazon Stores Owned by Bowser

As previously discussed, Chris or Adam Bowser may have used the funds from the Receivership Entities to pay and purchase goods which became products for sale under Chris or Adam Bowser's personal stores on Amazon.

The Temporary Receiver found a number of QuickBooks files on Right Networks, including:

- Bondi Mobile LLC (formed on August 5, 2015 and owned by Adam Bowser)
- Finn Rich Enterprises LLC (formed June 21, 2017 with Jason Brown, a cousin of Bowser, as manager)
- Finn Rich Wireless LLC (formed on September 1, 2015 with Adam Bowser and Richard Doherty, a cousin of Bowser, as managers)
- Sur Cellular Express LLC (formed on August 30, 2016 with Adam Bowser as manager)
- Vmerica Inc. (formed on March 15, 2017 with Adam Bowser as president)

According to the Controller, these are the personal Amazon stores and companies of Chris Bowser, but some of these are not current and active. The current and active stores are Finn Rich Wireless LLC (Finn Rich Wireless) and Vmerica Inc. (Vmerica).

The Temporary Receiver accessed and reviewed the QuickBooks accounting files for these two companies. Finn Rich Wireless' financial statements generated from its QuickBooks accounting file are at Exhibit 41. Vmerica's financial statements generated from its QuickBooks accounting file are at Exhibit 42.

Finn Rich Wireless generated approximately \$855,000 of revenue from January 2016 to March 2018, and the cost of goods sold was approximately \$289,000 for the same period. The cost of goods sold is primarily comprised of Amazon fees and shipping charges, and refunds. There was less than \$5,000, recorded for the acquisition cost of products. The net income was approximately \$554,000.

Vmerica generated approximately \$675,000 of revenue from March 2017 to March 2018, and the related cost of goods sold was approximately \$289,000 for the same period. Cost of goods sold is primarily comprised of Amazon fees and shipping charges, and refunds. Although there was \$161,965.15 in cost of goods sold for product in 2016, that was an intercompany book entry, which increased the balances for cost of goods sold and the inter-company account (“Intercomp Due FBA Distributors”) on the books. Despite this \$161,965.15 amount, less than \$500 was paid by Vmerica for the acquisition cost of products. The net income was approximately \$260,000.

The Temporary Receiver is continuing to investigate these intercompany transactions, and determine and quantify the impact on the Receivership Entities’ assets. These intercompany transactions may reflect fund transfers from the Receivership Entities to Bowser Family Amazon stores.

Consumer Information

The Temporary Receiver downloaded the Receivership Entities’ Customer Relationship Management System (CRM). The CRM appears to contain contact information for each consumer who purchased the business opportunity as well as sales information regarding what each consumer purchased.

The Temporary Receiver compared the sales data in the CRM to the sales recorded in the various QuickBooks accounts and noted there were significant discrepancies between the two. The Temporary Receiver discussed the inability to reconcile sales with Adam Bowser. Mr. Bowser told the Temporary Receiver that sales data in the CRM was not completely reliable because much of the input to the system was done from the field and some of those inputting information would not be aware if a sale was actually consummated. The CRM data was primarily utilized to maintain the consumer information.

Consumer Complaints and Deception

The Temporary Receiver located numerous consumer complaint letters at the Defendants’ office/warehouse at 293 Libbey Industrial Parkway, in Weymouth Massachusetts. Many were found in the desk drawer of an empty office. Some letters were in envelopes that had not been opened and some were in envelopes that had been slit open.

The Temporary Receiver is providing some of the correspondence located on site from consumers and/or their attorneys with a brief description of each below⁶:

One couple wrote a letter (Exhibit 43-1) requesting a refund of their \$35,000 membership fee for a “Diamond Package.” The letter states “... we have the impression that your company has recruited more students than it can support, resulting in poor or non-existent service. In addition, we see that FBA Stores promotes affiliates that offer questionable value, giving us the impression that your business is only about making money for yourselves and not representing the interest of your students.” The couple provides a concise summary of their experiences with eight aspects of the Diamond Level Benefits referencing credit card fraud, technical difficulties with the computer coaching and advice that could get their ‘store’ closed down by Amazon. The letter places emphasis on having been “ripped off” by a company by the name of Average Joe Funding which was “heavily promoted by FBA Stores during the 3-day event.” Further, “without us seeing or signing their contract and without telling us what they were doing, went ahead and applied for personal credit cards.”

Another gentleman wrote (Exhibit 43-2) to Chris and Adam Bowser after first attending the free seminar followed by a \$995.00 three-day workshop. He opined in his letter how fortunate he was not to have bought into the gold or platinum packages as “... at the free seminar, we were told that if we didn’t make \$5000 in the first quarter we would get the \$995.00 refunded and get to keep the Kindle as a free gift.” He requested a reimbursement of his \$995.00 stating “I am so surprised that there hasn’t been a class lawsuit [sic] against your company for all the misleading information.”

A letter (Exhibit 43-3) from an individual who identifies herself as a having “built real businesses in the past and expect to do so again” and describes being told in training that “most Amazon sellers make a 3-5% profit. Your program would guarantee a 20% profit with a target of 30% and a 90 day turn.” She further describes a call with an individual on the coaching hot line where she expressed concern about not being able to meet the 20% net profit criteria. The individual told her “I wish they would quit saying that. No one is getting that right now.”

A letter from an attorney (Exhibit 43-4) for a couple ages 68 and 70 was located demanding a refund of the cost of their \$34,995 “Diamond Membership.” He states they were promised a return on their investment of 60% - 80% despite having no computer skills. He states the couple not only took money from retirement funds but initiated a home equity line of credit at the urging of the company. In demanding a refund of the couple’s investment, the attorney cites violations of several Colorado laws, including one involving “deception, harassment, intimidation, or undue influence to permanently or temporarily deprive an at-risk person of the use, benefit, or possession of anything of value.”

⁶ The Temporary Receiver redacted consumer identification information.

An attorney representing a man, who along with his wife purchased a Diamond Membership account for \$35,000 (Exhibit 43-5), demanded a refund as his client has “determined that the statements made regarding the program are deceptive and misleading.” The letter specifically refers to the representation that FBA Stores DBA Amazing Wealth Systems is a “bulletproof system for generating monthly income of between \$5,000 to \$10,000 per month.”

One man states (Exhibit 43-6) he is now out of pocket \$39,353.18 on the endeavor after purchasing the \$34,995 training and \$5,503 in inventory, but experiencing 60% “off the top” fees rather than the 30-40% expenses he was quoted.” He asks that his Guaranty be honored and his funds returned.

A law firm representing a couple directed a six-page Deceptive Trade Practices Act (DPTA) demand letter (Exhibit 43-7) to defendants enumerating each of the false representations and promises given his clients for their \$35,000 package and elaborated on how each was deceitful. The DPTA demand letter states: “Your misrepresentations and breaches of the agreement with (his clients) continued even after they paid the exorbitant price of tuition.” The attorney references 22 “acts and omissions” that are actionable under the DTPA.

A letter (Exhibit 43-8) to Adam Bowser from a couple who were not “looking for riches, just being of retirement age some supplement” states they spent \$54,900 on the Diamond and Master programs. They were assured the reasonableness of reaching a \$3,000-\$5,000 net revenue goal and “mortgaged our home.” The couple’s coach/mentor was “negative on retail arbitrage saying that deals are few and far between and that you can’t build a business with hit and miss retail products.” The letter also states that they had a conversation with Fred Bowser (father of two of the individual defendants) and he “actually stated that he had discussed with you the problem of continuing to bring people into the program when they cannot be supplied with product or find product to sell. The only suggestions he could give us was to search Costco and some outlets for product.”

An attorney for a couple wrote a letter (Exhibit 43-9) to FBA Stores following his client’s payment of \$995 for a three-day seminar in which a 10%-30% return on investment was promised. Because FBA stores used the Amazon logo, the couple believed they were partnering with Amazon. They subsequently signed up for the Diamond Program costing them an additional \$34,995 for a ‘turn key business” in which “FBA stores was supposed to supply all of the product through your Done 4 You Wholesale Fulfillment.” Subsequently, the attorney writes, the couple “discovered that Amazon had no idea who you were. They also discovered that the Done 4 You Wholesale Fulfillment did not even exist.”

Another attorney for a consumer who is 77 years old demanded FBA Stores and Adam Bowser (Exhibit 43-10) return \$55,000 to his client for the \$34,995 coaching sessions purchased as well as the loss on inventory experienced because FBA Stores’ promise of a 20%-60% return on investment did not account for “the high fees charged by FBA Stores for labeling, Amazon’s storage fees or shipping costs.”

An elderly gentleman, age 87, sent a letter to Adam or Chris Bowser (Exhibit 43-11) stating that he and his wife, age 75, had attended FBA Stores meetings. “Both my wife and I attempted to make clear that our ages and personality caused us not to have the interest in being sellers of products. He assured us that the program being offered was not designed for us to ever need to actively participate in daily operations of selling on Amazon. This was the responsibility of the professional staff of FBA stores. He explained further that our only responsibility was to purchase wholesale merchandise from FBA Stores that was recommended. We understood that FBA Stores have professional personal [sic] that do nothing all day but buy and find the items that will sell quickly on Amazon. Thus we did not need to worry about the money to pay for these items. We could charge them on our credit card and when the credit card statement came at the end of the month we would be able to pay for it with the profits from this merchandise that had already been sold. He impressed on us that this was a wonderful way to augment our Social Security.” The gentleman requests the couple’s \$10,000 be returned to them under the Guarantee.

An individual wrote to Chris Bowser (Exhibit 43-12) requesting that FBA stores honor its 100% Money Back Guaranty, a copy of which was provided with the request. The individual and her husband, in their planning for retirement, invested \$995 in the Training Workshop, which was followed by an Investment Strategy Session in which they were told that viable resource options to obtain the money needed for the Diamond Program of \$34,995 was available through “Lines of Credit with Chase Bank, Discover, applying for a HELOC and Refinance options on our home.” Shortly thereafter they received “an email notification from Amazon stating that our Sellers Account had been suspended, for inauthentic documentation submission. We were completely taken aback, because since the registration weekend, in Ashburn, we had not submitted any documentation.”

These are only a few of the many complaints located at the Weymouth Office and do not include complaints from the California Attorney General, Maricopa County Justice Courts, State of Arizona, American Arbitration Association, and Florida Department of Agriculture & Consumer Services.

Subsequent to the Temporary Receiver’s entry into the businesses, an e-mail was sent to the Temporary Receiver (Exhibit 43-13) from a gentleman who attended a three-day class. On the third day of the class “they had group asked for individual financial to clarify if I qualified, one of his member help me to applied for 3 major credit card company such as: American Express, Capital One and Discover Card and I got approved for ... Total invoice is \$24,300.” [sic] He further advises that “on January 2018, after attempting to draw my 4 majors credit card company with American Express is \$9,300 Discover Card is \$9,000 Capital One is \$9,000 Citi Card is \$2,000 Total is \$29,300 So I overpaid them \$5,000 but try to call to get credit back with no one answer the phone.” [sic]

The Temporary Receiver was sent an e-mail from Mr. Jeffrey G. Korn⁷ (Exhibit 43-14), pre-receivership counsel for the Defendants. It included a string of e-mails from a student who requested a refund of \$56,000 for the purchase of a 3-day workshop (\$1000) the Diamond Program (\$35,000) and the Master Mentor Program (\$20,000). The consumer states “The money used to purchase all of these programs was money obtained by Seed Capital out of Las Vegas. FBA Stores used Seed Capital to help obtain funding for FBA students to pay for their programs and fund the new Amazon business.” The consumer states that “The credit cards obtained by Seed Capital are all coming due with full interest and there are no funds to pay for this debt.” The consumer continues “I am 71 and in the worse financial shape of my life. My accountant and my lawyer both are insisting I will have to file for bankruptcy.” It appears from the e-mail string that a refund was obtained for the Master Mentor program, however the mutual release did not result in a refund for the Diamond program. Mr. Korn told the Temporary Receiver that “there was a release signed earlier.”

An April 6, 2018 letter from an attorney representing a consumer (Exhibit 43-15) states in part “Misrepresenting to my client that, following their instructions, she would generate 10-30% ROI...” and “Advising my client to go into debt on her credit cards to finance her FBA business.”

One of the most troubling aspects of many of these complaints is the degree to which consumers were urged to incur substantial debt to participate in the business opportunity.

The Temporary Receiver located an email at the Weymouth office (Exhibit 44). This email and the attachment to the email evidences another deceptive practice that was intended to induce consumers to participate in the business opportunity. The June 16, 2017 email addressed to Marshall states in part “I have attached some examples from Brian. Please have 4 or 5 employees log into the various review sites...leaving good reviews...THEY MUST USE THEIR PERSONAL EMAIL ACCOUNTS AND NOT AN FBA OR BBW, TELL THEM NOT TO MENTION CHRIS OR ADAM BY NAME.”

Bank and Merchant Accounts

The Temporary Receiver served the TRO on all known financial institutions and merchant processors that were used by the Receivership Entities. As previously discussed, many of the merchant accounts are holding substantial balances in reserves because the merchant processors stopped processing for the Receivership Entities in December 2017.

Currently, the funds frozen in the accounts of Receivership Entities total approximately \$9.95 million, including merchant reserves of approximately \$7.78 million. The amount may be subject to future chargebacks.

⁷ Mr. Korn forwarded numerous emails to the Temporary Receiver that show he was in the midst of settling several consumer complaints and had settled several other consumer complaints.

Other Matters

Uniform Commercial Code Filing

The Temporary Receiver performed a search of public records and located a blanket UCC-1 filing by Bank of America against all of the assets of FBA Stores. To date, Bank of America has not been responsive to the Temporary Receiver's multiple requests for the documents that support this filing. The Temporary Receiver will continue to follow-up with Bank of America.

Telemarketing Call Recordings

The Temporary Receiver has been in contact with Novasors, a Division of Centrinex, LLC which is a company that provided inbound and outbound telemarketing services to the Receivership Entities. The Temporary Receiver is making arrangements to obtain copies of approximately 100,000 call recordings.

Communications with Consumers

In addition to fielding numerous telephone calls from consumers inquiring about the status of the Receivership Entities' operations and refunds, the Temporary Receiver has posted relevant information on its website and has created an email address, fba@robbevans.com.

Respectfully submitted,

/s/

Robb Evans & Associates LLC
Receiver