

**ROBB EVANS & ASSOCIATES LLC**

**Receiver of**

**Universal Premium Services, Inc. AKA Premier Benefits, Inc.**

**Consumer Reward Network, Inc.**

**Star Communications LLC**

**Membership Services Direct, Inc. AKA Continuity Partners Inc.**

**Connect2USA, Inc., et al.**

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**Federal Trade Commission v. Universal Premium Services, Inc, et al.  
CASE No. CV06-0849 SJO (OPx)**

**Report of Receiver's Activities for the Period from  
March 4, 2006 Through December 31, 2006**

**Filed January 9, 2007**

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8 UNITED STATES DISTRICT COURT  
9 CENTRAL DISTRICT OF CALIFORNIA

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11 FEDERAL TRADE COMMISSION,

12 Plaintiff,

13 v.

14 UNIVERSAL PREMIUM SERVICES,  
15 INC., a California corporation (also  
known as Premier Benefits, Inc.), et al.,

16 Defendants.

CASE NO. CV06-0849 SJO (OPX)

**REPORT OF RECEIVER'S  
ACTIVITIES FOR THE PERIOD  
FROM MARCH 4, 2006 THROUGH  
DECEMBER 31, 2006**

17  
18 TO THE HONORABLE S. JAMES OTERO, UNITED STATES DISTRICT  
19 JUDGE:

20 Robb Evans & Associates LLC as Receiver of Universal Premium Services,  
21 Inc. aka Premier Benefits, Inc., Consumer Reward Network, Inc., Star  
22 Communications, LLC, Membership Direct Services, Inc. aka Continuity Partners,  
23 Inc., Connect2USA, Inc. and their subsidiaries and affiliates ("Receiver") herewith

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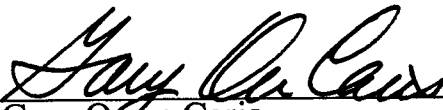
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files its second Report to the Court, covering the period from March 4, 2006 through December 31, 2006.

Dated: January 9, 2007

McKenna Long & Aldridge LLP  
Gary Owen Caris  
Lesley Anne Hawes

By:   
\_\_\_\_\_  
Gary Owen Caris  
Attorneys for Receiver  
ROBB EVANS & ASSOCIATES  
LLC

**ROBB EVANS & ASSOCIATES LLC**  
Receiver of  
**Universal Premium Services, Inc. AKA Premier Benefits, Inc.**  
**Consumer Reward Network, Inc.**  
**Star Communications LLC**  
**Membership Services Direct, Inc. AKA Continuity Partners Inc.**  
**Connect2USA, Inc., et al.**

**REPORT OF RECEIVER'S ACTIVITIES**  
**MARCH 4, 2006 THROUGH DECEMBER 31, 2006**

This report covers the activities of the Receiver<sup>1</sup> since the last report. This is the second 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.

**Custody, Control and Possession**

The Receiver reported that we entered the companies' premises in four locations in Las Vegas on February 22, 2006. The Receiver was appointed Permanent Receiver on March 13, 2006. In order to limit claims against the receivership estate by the various landlords, the Receiver rejected the leases by letter dated March 20, 2006 and vacated all four locations by March 31, 2006. The Receiver located a storage facility at 2700 East Flamingo, Unit #301, Las Vegas, which contained several hundred boxes of documents and old office equipment. The Receiver retrieved the documents, placed them in storage at its warehouse in Las Vegas and vacated the storage facility by March 31, 2006.

**Asset Recovery and Liquidation**

Personal Property

On May 11, 2006, the Receiver filed a motion seeking court approval to sell the office furniture and equipment through a qualified local auctioneer. This Court entered an order approving the sales procedures recommended by the Receiver on June 9, 2006. The Receiver liquidated the personal property assets of the estate and after payment of expenses and commissions, the net return to the receivership estate totaled \$19,975.79.

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<sup>1</sup> Reference to the Receiver in this report means the Receiver, the Receiver's deputies, its staff, and its counsel.

The Receiver located documents suggesting that Continuity Partners Inc. owned two vehicles, a 2004 GMC Yukon and a 2005 Mercedes SL55 AMG. Based on a review of the Kelly Blue Book, the Receiver determined the current value of the 2005 Mercedes SL55 AMG was less than the amount owed and abandoned the vehicle. Before the location of the 2004 GMC Yukon was disclosed to the Receiver by Brian MacGregor, GMAC Financing had repossessed the vehicle. The Receiver made demand on the GMAC Financing for any recovery over the lien amount. The finance company included the 2004 GMC Yukon in an auction and released \$748.58 to the Receiver.

### Real Property Assets

On November 18, 2005, Brian MacGregor purchased Unit 1104 at Three Turnberry Place, Las Vegas, a luxury high-rise condominium project for \$1,010,000. The Receiver located a "Condominium Rental Agreement" at the Merchant Risk Management offices wherein Brian MacGregor, as Lessor, agreed to lease to Mammoth Consulting Group, as Lessee, Unit 1104 for \$5,500 a month. Joseph LaRosa executed the lease on behalf of Mammoth Consulting Group, but Brian MacGregor had not executed the agreement as owner. Plaza Homeland Mortgage financed the purchase of this property. Based on discussions with the mortgage company and local real estate experts, the Receiver believes that there may not be sufficient equity in this property to cover the costs of marketing, sales commissions and the mortgage. The Receiver has requested additional documents and based on a review of those documents, may make a recommendation to the Court that this asset should be abandoned.

The Receiver is aware of the existence of Midwest Properties, Inc., a company owned by Christine MacGregor, and the allegation that Brian MacGregor fraudulently transferred approximately \$17 million in real property assets to his wife. The Receiver is investigating properties owned by Midwest Properties and Christine MacGregor to ascertain the source of funds used to purchase those properties. The Receiver has issued numerous subpoenas and reviewed thousands of documents produced by various title companies. It appears that Brian MacGregor used funds from the Receivership Defendants to purchase some of the properties. The Receiver has issued additional subpoenas and will carefully review these transfers and the source of funds used to acquire the property to determine if the real property can be claimed as an asset of the receivership estate.

### Recoveries from Third Parties

The Receiver has continued to pursue recovery of funds held by credit card processors and other third parties. The Receiver recovered \$102,762.87 from International Payment Consultants, LLC in April 2006. The Receiver's investigation also led to the recovery of \$259,317.95 from Timothy Bice, an attorney that represented several of the Receivership Defendants prior to the Receiver's appointment in this case.

Additionally, the Receiver closed several small accounts at First Regional Bank and successfully negotiated a settlement regarding two state court lawsuits involving First Regional Bank, Electronic Clearing House, Inc. and Internet Transaction Services, Inc., pursuant to which the receivership estate received \$438,619.93.

Prior to being placed in receivership, the Receivership Defendants debited consumers' bank accounts through Payment Processing Center LLC (PPC), a third-party processor located in Pennsylvania. The Receiver has made several demands to PPC to deliver the funds, which it is holding on behalf of the Receivership Defendants. The Receiver estimates that PPC is holding an amount in excess of \$900,000. To date, PPC has not delivered such funds to the Receiver.

In February 2006, the United States Attorney's Office for the Eastern District of Pennsylvania brought a civil injunctive action against PPC. Pursuant to a temporary restraining order issued by the District Court in the PPC action, and a subsequent stipulated preliminary injunction, PPC was prohibited from processing bank drafts obtained in connection with outbound telemarketing and for all merchants that are the subject of an action or inquiry by any state or federal regulatory agency. The orders also restrain disposition of PPC's assets, including funds held at the time of the injunction by PPC on behalf of the Receivership Defendants.

PPC has received refund requests from victims of alleged consumer fraud in connection with debits processed by PPC on behalf of its merchant clients, including, but not limited to the Receivership Defendants. The Court in the PPC action has modified the asset restraints imposed upon PPC so that PPC can issue refunds to victims. All of the refunds made by PPC are approved in advance by the Court in that action after review by a court-appointed Monitor in the PPC action.

PPC had not issued refunds to victims of the Receivership Defendants because of provisions of this Court's Preliminary Injunction Order entered on March 22, 2006.

On September 20, 2006, the Receiver and counsel for the Plaintiff entered into a Stipulation and Proposed Order requesting that this Court modify provisions of the Preliminary Injunction so that PPC may process refund requests by consumers whose bank accounts were debited by PPC in connection with the telemarketing activities of the Receivership Defendants. The total amount of refunds to be processed was not to exceed \$105,000. The Court signed the proposed order on September 22, 2006. The Stipulating Parties acknowledged that PPC would be required to obtain authorization from the District Court in the PPC action before it could process these refund requests.

On October 30, 2006, the Assistant United States Attorney who brought the action against PPC, the Monitor and counsel for PPC filed a stipulation with the District Court in the PPC action seeking permission to transfer funds and issue refunds to consumers who were debited by PPC for the benefit of the Receivership Defendants.

The Receiver will continue to seek return of the funds PPC is holding on behalf of the Receivership Defendants. If PPC continues to refuse to return these funds, the Receiver intends on bringing a motion in the PPC action seeking turnover of the funds.

Respectfully submitted,

/s/

Robb Evans & Associates LLC  
Receiver