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SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

PEOPLE OF THE STATE OF CALIFORNIA, **v.** **GARY ARNOLD EISENBERG (**DOB: 5/31/1938); **BAREL ISKIN** (DOB: 5/18/1987); **NIV ISKIN** (DOB: 4/14/1980); **IRA ITSKOWITZ** (DOB: 2/12/1952); **REVIV KARPMAN** (DOB: 9/7/1971); **TOMER KOGMAN** (6/18/1979); **GREGG SCOTT QUINN** (8/19/1972); **JUAN PIERRE WASHINGTON** (DOB: 9/26/1969); **AVRAHAM YECHIZKIA** (DOB: 3/6/1976).	Case No. **DECLARATION IN SUPPORT OF ARREST WARRANTS**

I. INTRODUCTION

A. Experience and Training

1. Affiant's Training and Experience

I, Eddie Shore, am a California Peace Officer as defined by 830.1 of the Penal Code. I am currently employed as a Special Agent with the California Department of Justice assigned to the Bureau of Investigation and Intelligence. I have been employed there for the past 10 years. During my employment, I have been the Narcotic Enforcement Detail, Joint Terrorism Task Force, and Special Investigations Team. Prior to my employment appointment with the

California Department of Justice, I was employed as a Detective Supervisor with the Los Angeles Police Department. My assignments with LAPD included Patrol, Traffic, Vice, Administration, Burglary, Commercial Theft, Robbery, Autos, and Homicide. Prior to LAPD, I was a police officer with the Derry, New Hampshire Police Department.

I have a Bachelor of Science Degree from Northeastern University, Boston Massachusetts in 1973. I graduated from the POST mandated LAPD Academy in 1974 and the California Department of Justice Special Agent Orientation Class in 2000. Over the past thirty eight years, I have received a broad range of training that included formal and informal mandated classes on Penal Code violations, Business and Profession code violations, Vehicle code violations, powers of arrests, search and seizures, arrests techniques, physical and electronic surveillance and firearms training.

I have conducted thousands of hours of surveillance of individuals resulting in arrests and seizures. I have participated in the execution of court ordered search warrants of residences and vehicles where large amounts of currency, narcotics, and business records were discovered. I have also made hundreds of probable cause arrests.

In my current assignment with the Special Investigation Team, I am responsible for criminal and civil investigations involving economic crimes including mortgage fraud within the jurisdiction of the California Attorney General.

The undersigned hereby declares, upon information and belief:

That a 97-count felony complaint has been issued and is filed here with the Clerk of the Court that charges NIV ISKIN , REVIV KARPMAN, TOMER KOGMAN, and AVRAHAM AVI YECHIZKIA a.k.a. Avi Zieke, with grand theft (Pen. Code § 487, subd. (a)), and with prohibited acts by foreclosure consultants (Civil Code § 2945.4), with the allegation of aggravated white collar crime (Pen. Code § 186.11, subd. (a)(3)).

That the complaint also charges NIV ISKIN , REVIV KARPMAN, TOMER KOGMAN, and AVRAHAM AVI YECHIZKIA a.k.a. Avi Zieke, as well as GARY ARNOLD EISENBERG a.k.a. Gary Arnold and Gary Wade, BAREL ISKIN, IRA ITSKOWITZ, GREGG SCOTT

QUINN, and JUAN PIERRE WASHINGTON with conspiracy (Pen. Code, § 182, subds. (a)(1) & (a)(4)) to commit grand theft (Pen. Code, § 487, subd. (a)).

That facts set forth herein were provided through an investigation conducted by Investigator Sandy Birch, California Department of Justice, and Postal Inspector Wynter Kugel, United States Postal Inspection Service and reports of the investigation prepared pursuant to their duties, which contents I believe to be true.

2. Investigator Sandy Birch

Investigator Sandy Birch is employed as an investigator with the California Department of Justice (DOJ). She was employed as a Special Agent with the California DOJ for twenty years before retiring in January 2004. While employed as a Special Agent, she was assigned to the Bureau of Medi-Cal Fraud and Elder Abuse, the Major Fraud Unit, and the Bureau of Narcotic Enforcement. She has attended the Peace Officers' Standards and Training Certified Academy and possesses an Advanced Specialized Investigators Certificate. She completed numerous law enforcement academies that covered substantive law and investigative techniques. She has also received training from other special agents, supervisors, and prosecuting attorneys. She has conducted hundreds of investigations of violations of grand theft, identity theft, securities fraud, money laundering, and other financial crimes. Birch has been working as a contract investigator with the California DOJ for six years and has spent the last two years investigating foreclosure fraud scams. She is familiar with the ways in which financial crimes are committed.

3. Postal Inspector Wynter Kugel

Inspector Kugel is employed as a Postal Inspector with the United States Postal Inspection Service (USPIS). She has been employed there for the last seventeen years and is currently assigned to the Mail Fraud Team at the Los Angeles Division Headquarters. She investigates violations of law, including mail fraud, conspiracy, bank fraud, wire fraud, and false statements. She has participated in numerous white collar and financial crime investigations and has received training in the investigation of financial crimes. She has been investigating foreclosure relief scams since 2009 and is familiar with the ways in which these financial crimes are committed.

She is a Certified Fraud Examiner through the Association of Certified Fraud Examiners and is also a Certified Public Accountant, licensed in the State of California.

4. Investigative Auditor Thomas Wold

Thomas Wold is currently employed as an Investigative Auditor with the California Department of Justice, Office of the Attorney General, Consumer Law Section. He has been employed there for the past three years. His duties include examination and analysis of financial records for criminal investigations. Wold was previously employed as a Health Program Auditor with the California Department of Health Services, Audits and Investigations Division. He earned a Bachelor's of Accountancy degree from the University of San Diego in August 2001. During his employment with the State of California, Wold has continuously attended educational seminars and has received professional training relating to the investigation, analysis, auditing, and prosecution of financial crimes. He is currently a member of the International Association of Financial Crimes Investigators.

B. Summary of the Case

An investigation of loan modification services offered by Mason Capital Group, LLC (MCG), later renamed American Financial Group, LLC (AFG), and Gretchen Fox & Associates, LLC (GFA) (jointly referred to as "MCG" unless stated otherwise) was initiated in March 2009 in response to numerous consumer complaints received by the DOJ, Federal Trade Commission (FTC) and the Better Business Bureau (BBB). In the complaints, homeowners alleged that they had paid an upfront fee for loan modification services, did not receive the services promised, and were refused a purportedly "guaranteed" refund.

Subsequent investigation by the DOJ, USPIS, and FTC determined that between January 2008 and June 2009, MCG owners NIV ISKIN (N. ISKIN) , REVIV KARPMAN (KARPMAN), TOMER KOGMAN (KOGMAN), and AVRAHAM AVI YECHIZKIA (YECHIZKIA) (jointly referred to herein as "Defendants" unless stated otherwise), operated a boiler room under several business names at 8236 Remmet Avenue, Canoga Park, California. The sales floor was decorated in a Las Vegas casino theme and workstations were set up like craps tables. Telemarketers earned a spin for cash bonuses on a roulette wheel based on their sales volume.

Defendants used MCG to sell loan modification services that purportedly included preparation of “custom” financial documents for submission to lenders, negotiation with lenders on behalf of homeowners, and completion of successful loan modifications. MCG demanded upfront payment in full for its services and guaranteed a refund, less a $500 processing fee, if the homeowner did not receive promised results including a reduction in interest rates, monthly payments, and/or principal balance. With few exceptions, homeowners did not receive the promised results or a refund.

MCG was separated into two sales groups. One sold directly to homeowners, and the other sold affiliate memberships for $49 per month to agents who wanted to make sales referrals to MCG. GARY ARNOLD EISENBERG (EISENBERG) was the highest producing salesman for sales to homeowners and was paid the highest cash bonuses and sales commissions. GREGG SCOTT QUINN (QUINN) and IRA ITSKOWITZ (ITSKOWITZ) supervised the sales group that sold directly to homeowners. BAREL ISKIN (B. ISKIN) and his assistant JUAN WASHINGTON (WASHINGTON) supervised affiliate sales.

Defendants also solicited homeowners by Email, mail, and websites that, like their phone solicitations, contained patently false information about MCG’s success rate and expertise in obtaining loan modifications. In truth, none of MCG’s so-called “loan processors’ was properly licensed to negotiate with lenders, and Defendants routinely hired inexperienced and uneducated employees including convicted felons EISENBERG and ITSKOWITZ who were both on probation for federal convictions related to illegal telemarketing.

Distressed homeowners, including those facing foreclosure, were also given false information about their options, financial qualifications, and chance of success in obtaining promised results. Further they were told that their contract with MCG and the refund guarantee would be voided if they did not stop paying their mortgage and cease contact with their lenders. Lulled by Defendants’ lies and coercion, homeowners were dissuaded from timely pursuing other legitimate options to modify their mortgage or stop foreclosure. In some situations, homeowners realized they had been scammed too late to avoid a trustee sale and lost their homes.

In an apparent attempt to evade the prohibition against charging an upfront fee for foreclosure consultant services, the contracts Defendants used for MCG and AFG claimed that the upfront fee was only for preparation of the so-called “custom financial statement.” The completed financial statements were then forwarded to a completely separate entity called GFA where lawyers negotiated with the lenders. When the loan modification process was complete, GFA would charge an additional $250-$500 fee. GFA, however, was not a separate and distinguishable entity, did not have legal staff negotiating with lenders, was not a law office, and did not collect any additional fees from homeowners. In truth, MCG, AFG and GFA, were indistinguishable entities owned and controlled by Defendants and operated out of the same business premises using much of the same staff. Financial records show the only source of income for GFA was commingled funds from Defendants’ other entities, including MCG and AFG.

MCG’s refund guarantee was also a sham and was very seldom honored. Most of the time, Defendants simply ignored the homeowner’s demand for a refund. On occasions when they did respond, Defendant frequently denied the refund because the homeowner had received a “reinstatement” offer, which was one of the guaranteed results. Previously unbeknownst to the homeowner, however, a “reinstatement offer” as contemplated in the guarantee meant that the lender would reinstate the original loan terms if the entire default amount plus fees and penalties was paid in full – a result the homeowner could easily have obtained on their own. Had the intended meaning of this guaranteed result been disclosed prior to payment of the upfront fee, it is unlikely that homeowners would have been persuaded to believe the so-called “guaranteed refund” was any real assurance of getting their money back. Similarly, if homeowners disputed the upfront fee on their charge card, Defendants often refused the chargeback by claiming the homeowner had received a reinstatement offer and was merely dissatisfied.

A third way around the refund guarantee was even more pernicious. When MCG became inundated with refund demands, Defendants avoided paying them by falsely claiming that MCG had gone out of business, filed for bankruptcy, and, therefore, could not honor any refunds. In truth, Defendants simply stopped doing business as MCG and changed the company’s name to

AFG. Homeowners who attempted to collect their refund from AFG or GFA were refused and told these companies could not honor the refund guarantee because the homeowner had not paid them any money.

Victim losses for loan modification fees paid to Defendants and their companies exceed $2,000,000.

C. Applicable Criminal Statutes

1. Penal Code section 487, subdivision (a) - Grand Theft (false pretenses): Any person who knowingly and intentionally by any false or fraudulent representation or pretense, defrauds another person of money, labor or property of a value exceeding $400 is guilty of grand theft, a felony.

2. Penal Code section 182, subdivision (a), subsections (1) and (4) – Conspiracy (Grand Theft) : Two or more persons who conspire to: (1) commit any crime or . . . (4) obtain money or property by false pretenses or by false promises with fraudulent intent not to perform those services, are guilty of conspiracy, a felony.

3. Penal Code section 186.11, subdivision (a), subsection (2) – White-Collar Crime Enhancement: Any person who commits two or more related felonies, a material element of which is fraud, which involve a pattern of related felony conduct, and the pattern of related felony conduct involves the taking of more than $500,000, the court shall impose an additional consecutive term of two, three, or five years.

4. Penal Code section 12022.6, subdivision (a), subsection (3) – Excessive-Taking Enhancement: When a person takes property in the commission or attempted commission of a felony, with the intent to cause that taking, the court shall impose an additional consecutive term of three years if the loss exceeds $1,300,000.

5. Penal Code section 667.5, subdivision (b) - Prison Prior: When a person is convicted of a felony offense within five years after release from prison custody, the court shall impose an additional consecutive one-year prison term.

6. Civil Code section 2945.4 – Mortgage Foreclosure Consultant (Prohibited Acts): It shall be a violation to: a) Claim, demand, charge, collect, or receive any compensation until after the foreclosure consultant has fully performed each and every service the foreclosure consultant contracted to perform or represented he would perform.

7. Civil Code section 2945.7 – Mortgage Foreclosure Consultant (Punishment): Any person who commits any violation described in Section 2945.4 shall be punished by . . . imprisonment in the county jail for not more than one year, or in the state prison . . . for each violation.

8. Revenue and Taxation Code section 19705, subdivision (a)(1) – False Return: Any person who willfully makes or subscribes a return, under penalty of perjury, which return he or she does believe to be true and correct as to every material matter is guilty of filing a false return, a felony.

9. Tax and Revenue Code section 19706 - Failure to File Return: Any person or officer of any corporation who, within the time required under Franchise and Income tax laws, willfully fails to file any return or to supply any information with intent to evade any tax imposed by personal or corporate income tax law, is guilty of a crime and shall be punished by imprisonment in county jail, or in state prison.

D. Definitions

1. Civil Code section 2945.1, subdivision (a) - Foreclosure consultant defined: Any person who makes any solicitation, representation, or offer to any owner to perform any services which the person in any manner represents to do the following: (1) stop or postpone foreclosure, (2) obtain any forbearance from any beneficiary or mortgagee,, (3) assist the owner to exercise the right of reinstatement (Civ.Code, § 2924c) . . . (8) save the owner's home from foreclosure.

2. Civil Code section 2945.1, subdivision (g) - Owner defined: The record title owner of the residential real property in foreclosure at the time the notice of default was recorded. (Civ. Code, § 1695.1, subd. (f).)

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II. PROBABLE CAUSE FOR CRIMINAL OFFENSE

Based on my training and experience as well as the training and experience of Investigator Birch, Postal Inspector Kugel, and Investigative Auditor Wold, and the facts set forth in this affidavit, I conclude that there is probable cause to believe that from January 2008 to June 2009, N. ISKIN, KARPMAN, KOGMAN and YECHIZKIA engaged in a scheme to defraud homeowners and steal their money in violation of Penal Code section 487, subdivision (a), grand theft, and that the taking was in excess of $1,300,000. As an integral part of the scheme, N. ISKIN, KARPMAN, KOGMAN and YECHIZKIA operated as foreclosure consultants and collected upfront fees from homeowners in foreclosure in violation of Civil Code section 2945.4, a felony.

A. GRAND THEFT AND SCHEME TO DEFRAUD

Evidence obtained from witnesses, business records, and financial records revealed a complex scheme to defraud distressed homeowners with false and misleading statements to induce them to pay for loan modification services that in general were not provided. Defendants used telemarketers to sell the purported services directly to homeowners and to affiliate brokers who received a commission for successful sales referrals and failed to make good on a so-called Guaranteed Refund promised to homeowners. To conceal their involvement in the scheme, Defendants funneled sales proceeds through a series of New Mexico limited liability corporations they owned and controlled.

1. MCG BUSINESS RECORDS

a. Sales Scripts

Sales scripts used for telemarketing calls were obtained from computer and business records seized from Defendants' business premises and from former employees. The scripts contain numerous false statements regarding attorney representation, experience, expertise, and success rate, including the following:

> Together with our attorneys, forensic accounting personal [sic], and our highly successful loan negotiator staff with over 20 years of loan experience, we have created a loan modification package that will get you out of a "bad loan" into a more realistic and affordable monthly payment.
>
> Our firm's success comes from following our highly effective two step approach. The 1st begins with Mason Capital Group building a professional Debt to Income

> Spreadsheet analysis. We will compare your debt to your income and prove to the lender that you're in a financial hardship, and you need to modify your loan and lower your payments. Mason Capital Group is a firm made up of financial profiling specialists, we know what banks look for to qualify for a loan modification. Basically, we have the Bank's playbook which they don't share with you. The 2nd step involves submitting your financial data to the bank with the proper documentation and hardship profile for the negotiation phase. All negotiations on your file are handled by Gretchen Fox & Associates our legal team . . . .
>
> Our Case Managers have worked with many of national lenders for many years, including your lender, and we have a working knowledge of the loss mitigation guidelines, and debt-to-income ratios that the banks are using to determine what rates, terms, and payment reductions that they are willing to issue homeowners.
>
> We negotiate the most effectively in the industry because we bypass the front-line of lender mitigation departments by having access to the key decision-makers that have sign-off authority on cases like yours.

As an integral part of the sales presentation, financial information was taken from the client and they were told that the information would be reviewed to determine if they qualified for services. Scripts for the so-called "2nd Call" contained the following false and misleading statement regarding legal and financial review of the victim's financial information:

> Our senior legal staff and financial analysts have reviewed your case and you have been approved based on factors that indicate one or more of the loan solutions will be available to you once we build your custom financial profiles and submit the hardship package on your behalf. (Closing – We would need to act on this case submission within the next 10 business days or this approval will expire. Honestly, I really think we can help your situation and time is of the essence.)

c. MCG and AFG Websites

On April 1, 2009, Birch accessed and created a pdf copy of the website for MCG at www.masoncapital.org and AFG at www.afgtoday.com. The websites were similar and both contained the following statement containing numerous misrepresentations about the companies' experience, expertise, and success rate:

> Mason Capital Group [American Financial Group] is dedicated to assisting distressed homeowners nationwide by identifying and implementing the best available loss mitigation option to prevent foreclosure. MCG [AFG] is a national leader in the field of loss mitigation and short sale negotiating. Our principals and affiliates have over four decades of combined experience in all areas of the mortgage and real estate industries.
>
> Our expertise and experience is what differentiates us, our commitment to our clients is what sets us apart. It is this unique combination of industry-leading expertise, professionalism, and extraordinary customer focus that enables us to offer the highest level of service to our clients nationwide. We are successful in over 95% of our negotiations.

d. Client Files

Birch reviewed a sampling of the client files seized for MCG business premises as well the client files of the 42 victims she interviewed. The files contained numerous documents completed by victims including the signed contract, guarantee form, authorization for GFA/MCG to negotiate with the lender, and a client responsibility form. The files also contained documents sent by victims including mortgage statements, proof of income, and hardship letters.

All of the files contained a document entitled "Refund Guarantee" that was signed and dated by the victim. The document listed the results that were included in the guarantee and some included the following false representation about the experience and expertise of MCG employees and managers.

> The Mason Capital Group is managed by a group of mortgage professionals with over 15 years in the mortgage industry. We hire and train only the most experienced and professional Loss Mitigation and processing staff.

Some of files also contained a document entitled "Notice of 3-Day Right to Cancel" that was signed and dated by the victims. It appears to have been used to comply with California law governing contracts for mortgage foreclosure consultants that require notice of a homeowners rescission rights. The notice, however, also falsely represented that MCG and GFA were separate entities. The notice taken from the client file for victim Mina T states, in part:

> Gretchen Fox & Assoc. LLC is a separate entity from MCG who is focusing on representing the best interests of each homeowner against the interests of the Lender, however to cancel representation, you must . . . .

Another signed and dated document in victim files was entitled "Client Responsibilities During Loan Modification Process" that advised homeowners not to pay their monthly mortgage. The notice taken from the client file of victim Gloria B states, in part:

> To save all of your mortgage payments, during the process of procuring a loss mitigation alternative. These funds are NOT to be forwarded to the Lender until time needed. . . . To avoid disclosing any personal financial information or agreeing to any workout option the bank directly, a professional loan mitigator must be used. Avoid communication and/or calling for any updates from any bank department.

The notice further states that a breach of the client responsibilities would void the refund guarantee. Some victims, such as David D became concerned about losing his home and finally contacted the lender. His refund was denied because he violated his client responsibilities. lost his home to foreclosure.

Most client files also contained two documents forwarded to lenders. One was an authorization form signed by the victim allowing GFA to obtain account information and negotiate with their lender. The second was a form letter prepared by GFA employees regarding the loan modification request. Many of the letters Birch told found in client files were incomprehensible with numerous misspellings and incorrect vocabulary, which she observed as being completely inconsistent with MCG's claim of highly experienced and qualified staff. For example, the letter sent to victim David D 's lender stated, in part:

> Capitalize or waive the delinquent and lower the interest rate to make it affordable for borrower to be able to keep up with his mortgage payment. He was delinquent due to both him and his wife being unemployed, during there unemployment the 's tired everything to make ends meet. Currently both are now both employed, but cant catch up with there mortgage. He tried to make ends meet, He has exhausted all resources. He is turning to Guild Mortgage and you for help. Please review his financial again and approve the to lower his interest to make it affordable for Mr. . Shouyld (sic) you have any further question or concern, ….. We greatly appreciated for you understand and help.

In addition to the poor quality of the letter, Birch observed that during his interview told her that his original loan had a very low interest rate of 4.75% so the request to lower his interest was pointless.

2. WITNESS INTERVIEWS

a. Victim Interviews

Between March 2009 and April 2010, Birch interviewed 42 victims and over 40 questionnaires completed by victims and mailed to the DOJ. Some victims were seeking a loan modification on property that was already in foreclosure when they contacted the Companies. Others were not delinquent on their mortgage but wanted a loan modification to lower their interest rate or to avoid an upcoming increase in their rates. The victims complained that they paid an upfront fee ranging from $1,000 to $5,000 for loan modification services they didn't get and were promised a guarantee refund that was not honored. They were all told lies about the experience and success of MCG, loan modification options, and their own chance of getting the loan modification they wanted that had induced them to pay the upfront fee, including: (1) MCG had a high rate of successful loan modifications and experienced staff with insider connections to lenders; (2) attorney representation with the lender; (3) dramatically reduced monthly payments, (4) reduced interest rates, and (5) principal balance reduction. All the victims had been asked to sign a refund guarantee that promised a full refund, less a $500 processing fee, if they did not receive the results promised. After their initial contact with MCG, victims typically received a second call assuring them that they had been "pre-qualified" for a loan modification and were a good candidate for the loan modification they wanted. The victims also complained that after they paid the upfront fee, it was extremely difficult to talk to anyone at MCG or get a response to their voice and email messages.

Victim Jeff told Birch his property was in default in December 2008 when he paid an upfront fee of $2,000 to AFG for a loan modification. In addition to misrepresentations about the company, he had been told they could modify his loan to lower his monthly payments and reduce the principle balance. On March 9, 2009, he received a "reinstatement" letter from GFA. The letter advised him he could pay $21,671.50 to reinstate his original loan or wait to pay that amount as he was still being considered for a loan modification. Later, he received a Notice of Trustee's Sale and contacted his lender. He learned that AFG had not attempted to negotiate a loan modification for him, but he was able to get a loan workout on his own from his lender. [redacted] tried to request a refund from AFG but could never reach anyone at AFG. He did not dispute his credit card charge because too much time had passed from December to March when he realized that AFG/GFA was not helping him to modify his loan.

Victim Alamgir [redacted] told Birch that in addition to several other misrepresentations, he was told that MCG had a group of attorneys working for them through a related company, GFA. He was also told that MCG would combine his two mortgage loans into one loan and get a reduction on the principal balance based on declining property values. Later, he received a form letter from GFA (The letterhead contains a "scales of justice" at the top) that stated:

> Congratulations! Gretchen Fox and Associates were able to get you an offer using the financial reports from Mason Capital Group and has successfully received a solution from your Mortgage Lender(s) on your behalf. Based off of the financial figures initially provided by you, this is one solution that your Lender has to offer: . . . Your Lender's Offer: REINSTATEMENT QUOTE: 1^{ST}: TOTAL AMOUNT DUE IS

$3,190.51 TO BRING LOAN CURRENT. 2ND: TOTAL AMOUNT DUE IS $749.04 TO BRING LOAN CURRENT.

The amounts listed on the letter were his delinquent payments and late fees. He declined the offer and never heard anything more from MCG or GFA. He contacted his lender who told him that they had received his hardship letter but there was no record of any communication with MCG/GFA. requested a refund from MCG but his request was denied because MCG said they had gotten him a "reinstatement" offer.

Victim Jan told Birch that he paid an upfront fee of $3,000 to AFG after being assured by salesperson Gary Arnold (EISENBERG) that he had been "pre-qualified" for a loan modification. In addition to other misrepresentations, Arnold told him AFG could modify his loan to lower his monthly payments and avoid a readjustment of his interest rate. 's property was not in foreclosure when he charged the fee to his credit card on November 18, 2008. On February 9, 2009, he received a letter from GFA stating they had obtained a "reinstatement" offer for him and that the monthly mortgage payment quoted to him was the same amount he was already paying. [redacted] contacted his lender and learned they had not heard from anyone regarding a modification of his mortgage. He disputed the charges with his credit card company. His claim was denied because AFG responded to the dispute by claiming Friedman was just a dissatisfied customer who was not happy with the reinstatement offer he was given. A copy of the [redacted]'s signed refund guarantee was included in the response. told Birch it was "absurd" to think he would have paid $3,000 for the so-called reinstatement offer, which required the same monthly payment he was making before contacting MCG.

Victim Jasuir [redacted] completed a questionnaire regarding his experiences with MCG and provided copies of correspondence from his bank regarding his dispute of charges to his credit card by MCG. Birch reviewed [redacted]'s documents and determined that he was not behind on his mortgage payments in June 2008 when he charged $3,500 to his credit card. After paying the fee, [redacted] was told to stop making his mortgage payments because MCG could only get a loan modification for him if he was delinquent on his payments. Three months later, received a letter from GFA with a repayment plan to bring the delinquent amount current. The plan did not offer a modification of his original loan or any relief from the payments terms, interest rate, or principle balance on the loan. was very upset that he had paid $3500 and damaged his credit for this result. He contested the charge to his credit card, and MCG replied to his bank “[w]e gave everything this client signed for & more. Our highly trained staff worked diligently on this customer. . . . All services were provided within time frame 1) Forebearance agreement 4) Repayment Plan."

Victim Jane made three payments towards her upfront fee beginning in September 2008. was seeking a loan modification for the mortgage on her home but she was not on the mortgage loan. Before signing her contract and paying the upfront fee, explained that her ex-husband’s signature was on the loan documents for her home and was given assurances that this would not be problem. Nonetheless, after paying the upfront fee, she was contacted by someone from GFA who told her they could not help her because her signature was not on the loan documents. was very upset and demanded a refund. She was told that MCG had gone out of business and could not pay any refunds. She was also told that GFA could refund her money because she had paid it to MCG.

A small number of victims did receive modifications. Victim Deborah told Birch MCG said they could modify her loan and move all penalties and fees to the back of the loan. She was notified by GFA that they had obtained a modification for her with dramatically reduced monthly payments. She later learned, however, that the penalties and late fees were being added to the monthly payments resulting in very little savings. She also learned that she could have obtained the modification from her lender by herself.

b. Affiliate Interviews

Birch interviewed ten so-called sales affiliates who had referred clients to MCG or AFG. For a monthly fee of $49, they received commissions on successful sales referrals. None of the affiliates Birch interviewed was happy with the service provided to their referrals and believed that MCG was misrepresenting the services provided and its experience and success rate. Affiliate Randi [redacted] told Birch that she initially spoke with Kendall about the affiliate program but later dealt mostly to WASHINGTON. In addition to its experience and success rate, was also told that MCG had attorneys who negotiated with the lenders and a money-back guarantee. said she referred several clients to MCG but they did not receive the results promised. She later learned that MCG's employees were not as qualified as she had been led to believe, and she doubted that a licensed attorney had worked on her clients' files. She also learned that MCG provided false information about her clients in their responses to credit card charge disputes.

provided Birch with a copy of the training manual she received from MCG. The manual contained the following false and misleading statement regarding attorney representation and success rate:

> Mason Capital Group LLC has a strict code of ethics and professional responsibility to adhere to and this is a very serious matter, that needs serious action by a licensed and competent attorney. We use the law to place lenders and services on the defense and make them fix your loan.
>
> We do not approach a loan modification just like every other bogus loss mitigation company that is advertising to save homeowners from foreclosure. Many of these companies are not even attorneys and they are offering to represent a client and highly sensitive manner (SIC) <u>We are successful in over 90% of our negotiations.</u>

Birch interviewed affiliate Steve [redacted]. He was recruited by WASHINGTON to join the affiliate program and referred 17 clients to MCG/AFG. said his clients were told both orally by WASHINGTON and in writing by MCG to cease making payments on their loans and to not have contact with their lenders One of his clients whose home was going into foreclosure finally spoke with her lender and learned that they had no contact with MCG or GFA. When she confronted GFA with this information, she was told that she had voided the guarantee and was not entitled to a refund. Several other clients were refused a refund due to reinstatement offers that required full payment of the default amount as well as penalties and fees. said many of his clients lost their homes due in part to MCG telling them to stop paying their lenders. [redacted] said one of his clients did get an interest rate reduction but it was only a one-year adjustable rate.

Other affiliate brokers who were interviewed by Birch were Jeff Lu Sweeda [redacted], Manuel [redacted], Yomari , Al , Maria and Alex [redacted] All related a similar story regarding the information they received about MCG, difficulty obtaining refunds, and the failure to obtain a loan modification. , and all related that their contact with MCG/AFG was WASHINGTON and they passed information to their clients that WASHINGTON gave them.

c. Employee Interviews

i. Attorney Bryan

Birch and Kugel interviewed Bryan . was employed as counsel for Defendants various companies, including MCG, AFG and GFA, from September to December 2008, even though he as disbarred in October 2008. He advised Defendants that California law requires loan modification companies be run by either a real estate broker or attorney and they were not complying with this law. stated that he did not represent individual clients for MCG, AFG or GFA and did not negotiate with lenders on their behalf. He did prepare some form letters used by the Companies but did not sign. He also spoke with some clients regarding complaints against the Companies.

said he repeatedly advised Defendants about the sales staff was "overselling" homeowners on the loan modification services and promising results that were impossible to negotiate with the lenders. He gave the example of promising impossible results to homeowners on the verge of a Trustee's Sale who could not be helped before they would lose their home. [redacted] admitted that he was suspended from the practice of law on October 31, 2008 for disciplinary reasons, but continued to work at MCG/GFA until December 2008. He believed that KARPMAN was aware of his licensing issues.

Employees told investigators that after left MCG, two other attorneys worked there for a short time. One of the other attorneys was Jeremy who has since surrendered his license to the California State Bar with discipline pending. Investigators have not been able to locate him.

ii. Loan Modification Processors

Birch and/or Kugel interviewed six employees who worked as loan modification "processors" and the department supervisor, Noelle The processors said they were hired to negotiate loan modifications with lenders on behalf of homeowners. None of them, with the exception of Eric was a licensed real estate agent or had experience in mortgage lending or negotiating with mortgage lenders. They received training on completing the financial statements used by MCG and AFG from or others who had been trained by her. They all said they were overworked and could not complete work on all the files they were given. They also complained that sales staff continuously promised homeowners results that were impossible to negotiate with lenders. Several processers said they told Defendants about the problem but saw no change in what homeowners were being told. Some attributed this to Defendants' apparent interest in making money rather than helping homeowners.

Birch and Kugel interviewed She said she worked for MCG/GFA from May or June 2008 to December 2008 and supervised the processing department for GFA. said she previously worked in the loan processing and mortgage industry as an operations manager, but had no prior experience in loan modifications. She believed KARPMAN was the owner of both companies but he would never put his name on anything related to the businesses. Other owners were N.ISKIN, KOGMAN, and YECHIZKIA.

[redacted] said the the processing department completed financial statements for clients and contacted lenders. She believed some clients did get interest rate reductions after the processors worked their case. [redacted] said the processing department was initially understaffed for the volume of loan modification files they received. KARPMAN agreed to let her hire processors and by August 2008, there were about 33 people working in the processing department. She thought that most of them had worked in loan processing in the past and were capable of preparing the financial statements. She told KARPMAN that customers who contracted with the business prior to July 31, 2008, deserved a refund because processing did not have enough staff to complete their files in a timely manner, but he refused to refund any money.

She complained to KARPMAN and YECHIZKIA that the sales staff repeatedly made unrealistic promises to homeowners such as reduced rates on 30-year fixed loans, 5% interest rates, and credit repair. She wanted to explain loan modifications to the sales staff but YECHIZKIA refused to let her talk to them. believes Defendants were only interested in getting the clients' money, not helping them modify their loans. She thought GFA should have been licensed by the Department of Real Estate in order to negotiate loan modifications and confirmed that there were no real estate brokers working at GFA. She said attorney Bryan wrote some letters to lenders but did not negotiate any loans for MCG/GFA clients.

iii. Telemarketers

Birch and Kugel interviewed eight telemarketers, including EISENBERG, who sold loan modifications services directly to homeowners. Most stated that QUINN supervised them until "Ira" (ITSKOWITZ) was hired, then he was their supervisor. They did not know Ira's last name because he never used it around them. EISENBERG, however, knew Ira's last name was ITSKOWITZ and several employees identified ITSKOWITZ from a photo line up.

Kandace said YECHIZKIA held sales meetings with QUINN, and later ITSKOWITZ, at which they told the sales staff that MCG had a 100% success rate in getting homeowners one of the solutions listed on the refund guarantee. knew reinstatement was one of the solutions guaranteed but did not discuss this option with homeowners. Charlie told Birch that he was given scripts to use for sales calls. He was told to tell everyone that he or she qualified for a loan modification and that there was a money back guarantee. He quit working when he realized that MCG was not giving refunds to customers.

Birch interviewed two telemarketers who worked in affiliate sales. Joe said an owner and his brother, Barry Rothstein (B. ISKIN) supervised affiliate sales. Other employees told investigators that Rothstein was N. ISKIN's brother, B. ISKIN. Wold reviewed the financial records and did not find any record of payments to Barry Rothstein. Financial records indicate B. ISKIN was paid $52,801 between January 2008 and May 2009. told Birch WASHINGTON was hired at the same time as he was but quickly became Rothstein's (B. ISKIN's) assistant.

4. CORPORATE RECORDS

Birch obtained Articles of Organization from the New Mexico Office of the Public Regulation Commission for MCG, AFG and GFA and determined that Articles of Incorporation were filed for GFA on November 4, 2004, MCG on April 24, 2007, AFG on October 14, 2008.

The documents do not list any corporate officers or owners because this information is not required under New Mexico laws.

Birch accessed California Secretary of State records and determined that MCG, AFG, and GFA are not registered to do business in California and do not have California corporate identification numbers. On October 8, 2008, GFA filed for registration as a foreign corporation but did not complete the process and was not issued a corporate identification number. The agent for service of process listed on the application is Bryan Diaz and the address given is 7210 Jordan Avenue, Suite C-44, Canoga Park, Ca 91306 (The Mail Shoppe). An Application for Registration for Limited Liability Company was filed for AFG on December 4, 2008 and subsequently cancelled.

Birch was unable to locate any fictitious business name filings in California for MCG, AFG or GFA.

5. POSTAL BOX APPLICATIONS

18375 Ventura Boulevard, #354, Tarzana, California - This address appears on MCG contracts obtained from victims. The address is a business location for Mail Boxes International. Birch obtained the Form 1583 (application for Delivery of Mail through Agent) for the postal box #354. It lists MCG name receiving mail there as "Mason Capital" and provides a home address of 8236 Remmit [sic], Canoga Park, California. The application is signed by KARPMAN and has a copy of his California driver's license.

7210 Jordan Avenue # C42 & C44 , Canoga Park, California - This address is a business location for The Mail Shoppe. Inspector Kugel obtained the Form 1583 for postal box numbers C42 and C44. Both applications were completed by Tamara Duncan, who was identified by former employees as an assistant to YECHIZKIA. The address for box #C42 appeared on business records for AFG. The application lists the business address for AFG as 8236 Remmet Avenue, Canoga Park, California. Box #C44 was used by GFA but that name does not appear on the application.

6. FINANCIAL RECORDS

Victim payments for loan modification services were made by check, cashier's check, or credit card made payable to Defendants' various entities. Birch obtained bank records for the period January 2008 to June 2009 by search warrant for 17 bank accounts held by Defendants' business entities. She also obtained records for merchant accounts used to process credit card payments for MCG and AFG.

a. Money from Victims

Investigative Auditor Thomas Wold examined bank records provided by Birch and determined that Defendants frequently transferred money in and out of the accounts held by MCG, AFG, and GFA and commingled it with money in accounts for their other business entities including E-Page LLC, Quick Cash Lending LLC, Moneytree LLC (MT), and Citiwide Lending Group LLP (CLG). Wold reconstructed the account activity for each account to determine the source of deposited funds and use of withdrawn funds. He determined that from February 2008 to June 2009, $1,090,075 in personal and cashier's checks made payable to MCG and AFG were deposited into multiple accounts held in the name of MCG and AFG. Account records for GFA showed no identifiable source of income other than deposits and transfers from Defendants' other accounts, including deposits of victim checks made payable to MCG.

Birch reviewed payment records contained in MCG and AFG client files and determined credit card payments received between February and October 2008 for loan modification services were processed through merchant accounts held by Defendants in the names of National Credit Services doing business as E Page, Quick Cash Lending LLC, and Moneytree Funding LLC. Wold reviewed the transaction records for these merchant accounts and determined that amounts paid for loan modification services was commingled with amounts paid to Defendants' other entities for real estate and insurance leads and has not determined the amount paid to each entity.

Beginning in September 2008, credit credit charges for MasterCard and Visa were processed through a merchant account for MCG Group ISO. The total amount of settlements issued by Group ISO to this account for the period September 2008 to January 2009 was $981,267. In September 2008, Defendants opened a merchant account for MCG to process

American Express charges. The total amount of settlements issued to this merchant account for the period October 2008 to March 2009 was $46,353.

Birch interviewed Allison who told her that MCG received numerous charge disputes from MCG customers and required MCG to maintain a high reserve amount to fund charge-backs on the disputed claims. On March 17, 2010, the reserve amount for the MCG merchant account was $184,840. Birch obtained a court order to freeze these funds pending criminal charges.

Wold determined that the total amount of money victims paid to MCG and AFG was $2,302,535 based on the sum total of $1,090,075 in victim money deposited into bank accounts held by MCG and AFG, $1,027,620 in credit card settlements issued to MCG merchant accounts, and $184,840 in merchant account reserves. Wold noted that this is conservative accounting of money paid to MCG and AFG for loan modification services because it does not include any credit card payments processed between January 2008 and September 2008 through Defendants' other merchant accounts.

b. Money to Defendants

Wold determined that Defendants siphoned victim monies for their personal use through business accounts held by MCG. In his review of MCG bank records, Wold found no withdrawals or debits payable to Defendants that would indicate payment of a salary or other regular compensation. On further review, however, he identified two MCG business accounts used by Defendants N. ISKIN and KARPMAN to pay their personal expenses. Money deposited into these accounts was victim checks and cashier's checks made payable to MCG for loan modification services. Approximately half of the money deposited into these accounts was transferred to accounts held by the other two Defendants KOGMAN and YECHIZKIA.

Wold determined that $333,540 in victim funds was deposited into MCG account #429569584. N.ISKIN used $148,506 from this account to pay his personal expenses including $11,000 in cash withdrawals and an $85,000 check deposited into an account for Platinum Financial LLC held by N. ISKIN. $144,786 from this account was paid to EPage Listing LLC account [redacted] and used by KOGMAN to pay his personal expenses.

$336,608 in victim funds was deposited into MCG account KARPMAN used $179,326 from this account to pay his personal expenses including $32,235 to Kadima Hebrew Academy for tuition and $46,900 to his Wells Fargo credit card. $134,228 from this account was paid to Moneytree Funding LLC account and used by YECHIZKIA for his personal expenses. The personal expenses paid from these four accounts included travel, entertainment, shopping, and household expenses. None of these accounts had any debits for payroll taxes, office rent, supplies, or utilities associated with regular business operations and did not appear to have any legitimate business purpose. Wold is continuing to examine the commingling of sales proceeds from loan modification services with money held in Defendants various accounts that may show additional amounts paid to one of more of the Defendants.

B. MORTGAGE FORECLOSURE CONSULTANT VIOLATIONS

On June 10, 2009, investigators seized over 1,500 client files pursuant to a search warrant for the business premises at 8236 Remmet Avenue, Canoga Park, California. The client files were reviewed by DOJ staff to identify the client name, property address, date and amount of payment, and services provided for each file. Several California addresses were checked against county recorder records and some had been subject to a notice of default prior to the date of payment to MCG for loan modification services.

On May 20, 2009, Birch interviewed Robin Trujillo, Managing Deputy Commissioner, California Department of Real Estate (DRE) regarding California's Mortgage Foreclosure Consultant laws. Trujillo explained that businesses engaged in providing loan modification services must have a valid corporate broker license and employ a licensed broker. Any employee negotiating with lenders on behalf of homeowners must be a licensed real estate agent working under the supervision of the broker. Licensed brokers may not collect upfront fees for loan modification services without prior approval from the DRE. Trujillo confirmed that MCG, AFG and GFA are not licensed corporate brokers and do not have a broker affiliation. Accordingly, collection of advance fees for negotiating with lenders to obtain a loan modification would have violated regulatory provisions governing licensees.

Trujillo further explained that, with the exception of licensed attorneys, it is unlawful for anyone to collect upfront fees to stop, delay, or avoid foreclosure, including assistance with exercise of the right to reinstatement, on property subject to a recorded Notice of Default. Birch subsequently provided Trujillo with a signed and dated document found in MCG client files entitled "Our Guarantee to the Customers." It promised clients a full refund (minus $500) if they did not receive one of the following solutions: "Loan Modification, Forbearance Agreement, Reinstatement, Repayment Plan, Loan Restructure, Short Sale Agreement, Packaging & Monitoring, Deed in Lieu of Foreclosure, Negotiating the Principal Balance/Delinquent Debt, Prolonging the Foreclosure." Trujillo opined that all the services listed appear to be foreclosure consultant services for which it is unlawful to collect any fee prior to completion of all services promised.

Subsequently, Investigator Birch contacted 19 California homeowners who owned property that was in foreclosure when they paid upfront fees to MCG and/or AFG. She confirmed that they had been required to pay the fees before services would be rendered. Birch and Kugel also interviewed former MCG and AFG employees who confirmed payment was collected from homeowners before services were rendered, including services for property that was in foreclosure.

C. <u>TAX EVASION</u>

Investigative Auditor Wold found was no evidence of remittances for corporate or personal income tax by Defendants or their business entities MCG, AFG, or GFA. Likewise, Birch found no evidence of remittances or returns for Defendants or these entities in records seized from their business premises.

On May 6, 2010, Investigator Birch interviewed Senior Special Agent Robert Olesniewicz with the California Franchise Tax Board (FTB), Enforcement Division. Olesniewicz reviewed FTB computer records for 2008 returns filed by MCG, AFG, and GFA and was unable to find any indication that returns had been filed. He stated that the FTB requires any company or entity doing business in California to file a state tax return, including companies that do not make a profit or generate income. He said FTB is currently conducting a physical search for the 2008 returns and will issue a Certificate of Non-Filing if none were filed.

Olesniewicz also checked FTB computer records for personal income tax returns filed by Defendants N. ISKIN, KARPMAN, KOGMAN, and YECHIZKIA. He confirmed 2008 personal income tax returns had been filed but Defendants may have underreported their income based on financial information he had received from Investigative Auditor Wold. Olesniewicz is continuing his review of the financial records records to determine Defendants' tax liability.

D. SUSPECTS

1. OWNERS

The investigation determined the N. ISKIN, KARPMAN, KOGMAN, and YECHIZKIA were the owners of MCG, AFG, and GFA. Employees told Birch and Kugel that the four made all business decisions. The review of the financial records determined that the merchant accounts used to process credit cards were established by N. ISKIN, KARPMAN, and KOGMAN. A review of bank accounts established for GFA, AFG, and MCG determined that all four were signing checks on the accounts. As well, the four shared in the sales proceeds from loan modification sales by depositing the funds in business accounts they used for personal expenses. Former employees interviewed by Birch, told her that all four Defendants had had a responsibility in the business. According to employees, N. ISKIN managed affiliate telemarketing sales, KARPMAN managed the processing department, YECHIZKIA managed telemarketing sales to homeowners, and KOGMAN set up the websites, purchased leads, and facilitated email blasts sent to victims.

Birch and Kugel interviewed KARPMAN at his office on April 29, 2009. KARPMAN said he managed GFA, which operated at the same address as MCG. MCG was in the business of preparing financial statements. He said each loan modification requires these statements. After a financial statement was completed, the client file was given to GFA to modify the loan. MCG collected fees for the financial documents, but GFA did not collect a fee until the work was complete. KARPMAN said GFA employed case managers to communicate with the lenders. He acknowledges there were numerous complaints but they were working to provide the services.

He is aware clients were unhappy about paying for a reinstatement but it is clearly stated in the guarantee given by MCG that one of the services that can be provided under the guarantee is a reinstatement.

KARPMAN said he had a few attorneys who worked for GFA. He referred to them as "outside counsel" and they were paid by invoice. He said the attorneys were Bryan Diaz (or Gomez) and a female who came in to work for a short time. He cannot recall her name. He also hired a lawyer, Jeremy Brenman, for a short time. He does not recall how long any of these attorneys worked for him but they were not employees of GFA.

KARPMAN told them that GFA and MCG were separate companies and GFA did not receive any of the money paid to MCG. When they first began doing loan modifications, the contracts may not have been separate but they are aware they cannot charge an upfront fee for the loan modification, so GFA did not collect any fees until the process was completed. KARPMAN's attorney was present for the interview.

On May 5, 2009, Birch and Kugel returned to the premises to interview KARPMAN and review client files. KARPMAN told them that MCG outsourced work to GFA. MCG paid GFA for work they completed. He explained that GFA actually prepared the financial documents for MCG clients. He told us that outsourcing of work is a common business practice and again stated that GFA and MCG/AFG were separate business entities. Birch asked KARPMAN if the outsourcing agreement would explain any payments made from MCG to GFA and he replied "yes."

N. ISKIN was also interviewed by Birch and Kugel. He told them he worked as a consultant for MCG, which did financial profiling and prepared financial statements for loan modifications. He acknowledged he assisted with management duties but had no contact with homeowners. His attorney was present during the interview.

2. SALES MANAGERS

Employees also told Birch that BAREL ISKIN, using the name of Barry Rothstein, supervised the affiliate telemarketing sales. As well, his name appears as the sales person and hundreds of affiliate client files. Wold determined from a review of the bank records that no payments were ever issued to Barry Rothstein but that BAREL ISKIN was issued checks totaling $52,801 from January 2008 through April 2009.

JUAN WASHINGTON began receiving payments from the MCG/GFA bank accounts in August 2009 and worked at MCG/AFG through May 2009. Affiliates, including Southwood and Yager, told Birch that WASHINGTON was their contact with MCG and that he told them MCG had a lawyer who was working with lenders to modify the loans. Birch said that when law enforcement went to the Remmet location to ask about consumer complaints, WASHINGTON left AFG/MCG and set up another loan modification operation in the garage of another former employee. Southwood provided Birch with an email from WASHINGTON in which he falsely claimed that the new operation had a lawyer working on the loans. WASHINGTON was interviewed by Birch and told her that he was first hired as a telemarketer at MCG and was later promoted to supervise affiliate broke sales under N. ISKIN. WASHINGTON told Birch he was paid salary and commission on sales to clients referred to MCG by the affiliates. WASHINGTON told Birch that MCG prepared financial statements and that GFA did the negotiations. He also said that GFA had more than one attorney working there. WASHINGTON terminated the telephone call and declined to be interviewed without representation of counsel.

The telemarketing sales department was managed by QUINN until he was replaced by ITSKOWITZ. Both sales managers provided scripts and sales material that contained the misrepresentations. As well, each trained sales staff and listened to sales pitches being given to victims. After QUINN was replaced as sales manager, he continued to work at MCG/AFG. Birch told me that sales scripts seized from the Remmet location indicate that QUINN was listed as the author. QUINN was interviewed and told Birch and Kugel that he worked at MCG from February 2008 to December 2008. He admitted to typing scripts but said that most of the text was provided by KARPMAN, YECHIZKIA, or ITSKOWITZ.

During the course of the investigation, Kugel checked criminal history records and determined that ITSKOWITZ was on federal probation at the time he worked for MCG. ITSKOWITZ had been convicted of conspiracy, mail fraud, wire fraud, securities fraud, currency structuring, money laundering, and tax evasion. He served a 71-month prison term and ordered to pay $49,031,740 in restitution. As a term of probation, ITSKOWITZ was prohibited from engaging in telemarketing activities. On January 5, 2010, the U.S. Attorney's Office filed a Petition for Warrant or Summons for Offender under Supervision. Kugel arrested ITSKOWITZ and interviewed him after reading him his Miranda rights. ITSKOWITZ said he was hired to interview prospective salespeople and to give sales motivational meetings. He was hired for the lead sales business and later worked for a few months at MCG. He was hired by Avi "Zieki" (YECHIZKIA) to "look into what QUINN was doing" at MCG. He learned about loan modifications and MCG's loan modification business from Zieki. He acknowledged working there for a few months doing "QUINN" things such as hiring salespeople. ITSKOWITZ told Kugel that he believed MCG had an attorney and that the processors were contacting lenders. When MCG/AFG began to let the processors go, he changed jobs.

ITSKOWITZ was interviewed by Birch and Kugel again on March 30, 2010 under the terms of a Proffer Agreement. He denied that he had spoken with consumers, prepared scripts used in the business or received any commission from sales.

Birch obtained a copy of a letter written to U.S. Probation on behalf of ITSKOWITZ. The letter, dated November 21, 2008, was signed by Avi "Ziekie" and acknowledged that he was aware of ITSKOWITZ's conviction.

3. GARY ARNOLD EISENBERG

Although MCG employed dozens of telemarketers to sell its loan modifications services, Birch and Kugel determined that salesperson "Gary Arnold" (EISENBERG) was named in many more complaints than any other salesperson, and he became a target of the investigation. Between February 24, 2010 and March 26, 2010, Birch interviewed nine victims who were solicited by EISENBERG. All of the victims were told that MCG was qualified and experienced in loan modifications and could get their interest rates and monthly payments reduced. Several were quoted success rates of 90-100%. Victim Melanie told Birch that Arnold (EISENBERG) said he had evaluated her financial condition and was confident MCG could lower her interest rates and monthly payments and possibility get the principal balance reduced.

He also told her that MCG had an attorney who would be negotiating with her lender. paid $1,250 to MCG and received only a form reinstatement letter from GFA.

Victim Robert told Birch that he spoke with Arnold (EISENBERG) about modifying loans on eleven properties he owned. said EISENBERG told him MCG had a good success rate and regularly got interest rate and monthly payment reductions and that even a principal reduction was a possibility. He told that MCG had a special relationship with the lenders because they were doing so much work in loan modifications. EISENBERG also told him MCG used a law firm called GFA that was experienced in real estate negotiations. After provided EISENBERG with his loan information, EISENBERG assured him that MCG could reduce his interest rate on his loans that were already at 5 to 5.5%. did get loan modification offers on a few of his properties but none of them was what EISENBERG had promised and did not save him from foreclosure. said he is not even sure if MCG had done anything to get the offers he received because he was frustrated with them and ended up working on his own with his lenders.

Victim Omar [redacted] spoke with Arnold (EISENBERG) who told him that AFG was an experienced company with a proven record of helping homeowners and used attorneys at GFA to negotiate with lenders. EISENBERG told that he thought AFG could get either a principal reduction or relief from his second trust deed to reduce his payments. received only the form reinstatement letter from GFA and lost his home to foreclosure.

Birch also spoke interviewed former employees who confirmed that Arnold (EISENBERG) was a top salesperson but complained that he was known for telling homeowners whatever they wanted to hear to make the sale. GFA employees who handled loan processing, including Noelle [redacted] said they repeatedly told Defendants that Arnold (EISENBERG) was dramatically overselling what MCG could do for homeowners and was generating a high number of complaints and demands for refunds.

Wold determined from financial records that Gary Arnold's true name is GARY ARNOLD EISENBERG. Kugel checked criminal history records and determined that EISENBERG had been convicted of mail and securities fraud and was on federal probation at the time he worked for MCG. EISENBERG served a 63-month prison term and ordered to pay $12,736,118 in restitution. As a term of probation, EISENBERG was prohibited from engaging in telemarketing activities.

On September 16, 2009 Birch and Kugel interviewed EISENBERG at a restaurant near his employment. He admitted that he was a top salesperson at MCG. He said he was given a script but had his own sales pitch that covered what he was supposed to say, including: (1) MCG was very experienced and successfully negotiated hundreds of modifications, (2) MCG had a 95% success rate, (3) MCG worked with attorneys who negotiated with the lenders, and (4) MCG loan processors had experience working for banks and knew the correct formulas for getting a loan modification. He also said that the money back guarantee helped him sell the product. He was paid 20% commission on his sales and got to have bonus "spins" on a cash wheel for sales performance. EISENBERG said he does not believe he lied to customers about the services they would "possibly" receive in modification services. He would sell the deal and then he would be out of the loop. He did not think the processing department was doing their job. He did hear from some customers that they had received services but he never heard from a single customer that was thrilled with the modification work.

EISENBERG was subsequently charged with a probation violation for his telemarketing activities at MCG. As well, he was charged with failing to report earnings to U.S. Probation. On November 16, 2009, he pled guilty to the telemarketing allegation and is currently in federal custody.

III. CONCLUSION AND REQUESTS

Based on the contents of the affidavit, your Affiant's aforementioned training and experience, and the training and experience of Investigator Birch, Postal Inspector Kugel and Forensic Auditor Wold, I conclude that:

Between January 2008 and June 2009, NIV ISKIN, REVIV KARPMAN, TOMER KOGMAN, and AVRAHAM AVI YECHIZKIA, GARY ARNOLD EISENBERG, BAREL ISKIN, IRA ITSKOWITZ GREGG SCOTT QUINN, and JUAN PIERRE WASHINGTON engaged in a conspiracy to commit grand theft (Pen. Code, § 487, subd. (a)) in violation of Penal Code section 182, subdivisions (1) and (4).

Between January 2008 and June 2009, NIV ISKIN, REVIV KARPMAN, TOMER KOGMAN, and AVRAHAM AVI YECHIZKIA, committed the following felony offenses:

Collected advance fees for foreclosure consultant services from owners of a property in foreclosure in violation of Civil Code section 2945.4 (Foreclosure Consultant – Prohibited Acts);

Used and/or caused others to use false and misleading statements to induce homeowners to pay in excess of $400 for loan modification services in violation to the suspects in violation of Penal Code section 487, subdivision (a) (Grand Theft);

Failed to remit business income tax returns and remitted false personal income tax returns in violation of Revenue and Tax Code sections 19705 and 19706 (Tax Evasion);

Committed two or more related felonies resulting in a loss in excess of $500,000 with the meaning of Penal Code, section 186.11, subdivision (a)(2) (White-Collar Crime Enhancement);

Unlawfully stole money in excess of $1,300,000 within the meaning of Penal Code 12022.69(a)(3) (Excessive Taking Enhancement).

Between January 2008 and March 2009, GARY ARNOLD EISENBERG used false and misleading statements to induce homeowners to pay in excess of $400 for loan modification services in violation to the suspects in violation of Penal Code section 487, subdivision (a) (Grand Theft);

Between January 2008 and March 2009 Gary ARNOLD EISENBERG committed the above offenses while on probation for a prior prison conviction in violation of Penal Code section 667.5, subdivision (b) (Prison Prior).

Between January 2008 and June 2009, BAREL ISKIN used and/ or caused others to use false and misleading statements to induce homeowners to pay in excess of $400 for loan modification services in violation to the suspects in violation of Penal Code section 487, subdivision (a) (Grand Theft);

Between July 2008 and March 2009, IRA ITSKOWITZ committed the above felony offenses while on probation for a prior prison conviction in violation of Penal Code section 667.5, subdivision (b) (Prison Prior);

Between February and December 2008 to April 2009, GREGG SCOTT QUINN used and/ or caused others to use false and misleading statements to induce homeowners to pay in excess of $400 for loan modification services in violation to the suspects in violation of Penal Code section 487, subdivision (a) (Grand Theft);

Between August 2008 to April 2009, JUAN PIERRE WASHINGTON used and/ or caused others to use false and misleading statements to induce homeowners to pay in excess of $400 for loan modification services in violation to the suspects in violation of Penal Code section 487, subdivision (a) (Grand Theft).

I therefore request based upon this Declaration that warrants be issued for the arrest of, GARY ARNOLD EISENBERG, BAREL ISKIN, NIV ISKIN, IRA ITSKOWITZ, REVIV KARPMAN, TOMER KOGMAN, GREGG SCOTT QUINN, JUAN PIERRE WASHINGTON, and AVRAHAM AVI YECHIZKIA who may be dealt with according to law.

I also request an ORDER PROHIBITING DEFENDANTS' RELEASE UNTIL THE SOURCE OF BAIL HAS BEEN EXAMINED (Penal Code Section 1275). Based on the contents of the affidavit, your Affiant's aforementioned training and experience, and the training and experience of Investigator Birch, Inspector Kugel and Auditor Wold, I conclude that defendants N. ISKIN, KARPMAN, KOGMAN, and YECHIZKIA have made significant amounts of money from the fraud scheme. As well, the evidence shows that the Defendants have maintained funds in bank accounts that were established to disguise the true ownership of the assets. The review of the bank records did not demonstrate any other legitimate source of income sufficient to cover their bail.

I believe that any source of consideration, pledge, security, deposit or indemnification defendants N. ISKIN, KARPMAN, KOGMAN, and YECHIZKIA would offer as bail is related to felonious conduct as outlined in this declaration in support of arrest warrant. I therefore request an order prohibiting said defendants' release until the source of bail has been examined.

Dated May _____, 2010 at Los Angeles, California

____

EDDIE SHORE
Special Agent
California Department of Justice

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

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