

IN THE CIRCUIT COURT OF THE SIXTH JUDICIAL CIRCUIT
IN AND FOR PINELLAS COUNTY, FLORIDA

STATE OF FLORIDA,
DEPARTMENT OF LEGAL AFFAIRS,
OFFICE OF THE ATTORNEY GENERAL,

Plaintiff,

CASE NO.: 09002656CI

vs.

DIVISION: 021

TIDEWATER MARKETING GLOBAL CONSULTANTS, Inc.
And CRYSTAL M. CLARK, INDIVIDUALLY,

Defendants.

INITIAL REPORT OF RECEIVER

Charles L. Stutts, Receiver, in accordance with the Stipulated Order For Preliminary Injunction and Appointment of Receiver (the "Order"), files this initial report setting forth a summary of his activities and findings to date with respect to the receipts and disbursements, cash flow, and activities of the Defendants, including the known status of any taxes, lien claims or pending litigation, and states:

1. This Honorable Court appointed Charles L. Stutts as Receiver of Tidewater Marketing Global Consultants, Inc. and all other entities operated, controlled or otherwise associated with Tidewater Marketing Global Consultants, Inc. activities (the "Defendants") on February 20, 2009 and directed him, among other things, to do the following:

a. Marshall, preserve, protect, maintain, manage and safeguard the assets of the Defendants;

b. Take possession of all offices where the business of the Defendants has been conducted including the contents of such offices;

c. Collect all receipts, revenues, deposits, receivables, notes and other funds generated by, from or due to Defendants; and,

d. Take immediate possession and control of all of the assets of the Defendants including files, records, leases, contracts, agreements, bank accounts, choses in action, and all other property, whether real or personal or mixed belonging to Defendants.

2. The Receiver has begun to discharge these duties in a reasonable, prudent, diligent and efficient manner.

3. This Initial Report of Receiver will summarize the Receiver's activities and findings to date with respect to the receipts and disbursements, cash flow, and activities of the Defendants, including the known status of any taxes, lien claims or pending litigation.

Preliminary Analysis of Tidewater Marketing's Business and Financial Condition

4. Based upon his review of the available books and records of the Defendants, interviews with Crystal M. Clark and other Tidewater Marketing employees, and analysis of the known assets and liabilities of the Defendants, the Receiver has determined that the Defendants do not have, and have never had, the financial capacity to provide prepaid debit cards, whether for the purchase of gasoline or other products, to all consumers who acquired "certificates" from retailers and presented them to the Defendants for redemption and issuance of the cards. Instead, the Defendants were dependent upon revenues from continued sales of the certificates, and alleged infusions of capital from Ms. Clark, to purchase and activate the cards. As a result, in the vast majority of transactions the Receiver has examined, consumers received nothing from the Defendants despite satisfying all preconditions to issuance and activation of the cards. Only those few consumers who continuously complained to the Defendants, or to regulatory and law enforcement agencies, received the prepaid cards.

5. The Defendants' business model lacked economic viability from the outset. The Defendants literally created the "certificates" and "vouchers" out of thin air: the Defendants generated millions of "passcodes" using a computer program. These codes were imprinted on a variety of certificates which the holder could allegedly redeem with the Defendants for gasoline or other merchandise. The Defendants then sold these certificates to intermediary "distributors" for relatively nominal amounts (for example, \$.50 - \$2.50 per certificate). The distributors, in turn, inflated the price of the certificates, sometimes by as much as 20 times, and resold them to retailers. Retailers, in turn, furnished the certificates to consumers as incentives to induce the purchase of goods and services. At no time, however, did the Defendants have sufficient assets or capital to actually satisfy their obligations to purchase and issue the prepaid cards to consumers who satisfied the redemption criteria. Based upon preliminary estimates, it appears that the Defendants' liabilities for redemption of outstanding certificates and other expenses may exceed its assets by more than \$10 million dollars.

6. The apparent objective of the Defendants' business was to develop a vast consumer database that would have value as a marketing tool for gasoline companies and other retailers. Because the preconditions established by the Defendants for redemption of the certificates required the purchase of goods or services from the retailers (i.e., a purchase of \$100 worth of gasoline from company "A" would entitle the certificate holder to a \$25 prepaid card for gas at "A"), the database would allegedly contain consumers more likely to be loyal to the retailers and, hence, have more value. The Defendants purportedly envisioned that the database would become sufficiently valuable as a marketing tool that the retailers would supply the prepaid cards to the Defendants for distribution to consumers. The Receiver, however, has found no evidence of contractual or other arrangements between the Defendants and retailers whereby

the retailers would either (i) provide the prepaid cards to the Defendants at no or reduced cost, or (ii) pay the Defendants significant compensation for marketing activities through the use of the database. Indeed, reliance of the Defendants on such arrangements to meet their financial liabilities for the redemption of the certificates was inherently unsound because, at the time the Defendants created the certificates and sold them to the distributors, there was no database of consumers.

7. As of the date of this Initial Report, it appears that the Defendants created at least 2.2 million passcodes; however, no records have been located summarizing how many were sold to distributors for resale to retailers. The Defendants' records reflect that almost 130,000 consumers have registered their certificates with the company. Those consumers have apparently satisfied all preconditions and are entitled to approximately 360,000 prepaid debit cards from the Defendants. The records also reflect that the Defendants issued only about 28,000 prepaid debit cards to these consumers. Assuming each certificate entitles the holder upon redemption to a \$25 prepaid debit card, the liability of the Defendants for the 332,000 unissued cards, plus load fees and mailing costs, exceeds \$10 million. Due to the Defendants' inadequate internal controls, poor recordkeeping practices, and failure to provide financial statements to the Receiver as required by the Order, the Receiver must emphasize that these are preliminary estimates only, and are subject to review and revision.

Summary of the Receiver's Activities to Date

A. Securing the Defendants' Offices and Contents

8. On February 20, 2009, immediately following his appointment, the Receiver obtained the keys to the Defendants' offices located at 13540-B Walsingham Road, Largo, FL 33773 (the "Largo Office") and 17900 US Highway 19 North, Clearwater FL 33764 (the

"Clearwater Office") and took possession of said offices and their contents. It should be noted that the offices were in an extreme state of disarray, with documents and files strewn about the floor and desktops, multiple boxes of unidentified, unopened mail located throughout the offices, left-over food and drinks, and inoperable equipment. The Receiver promptly changed the locks to protect against unauthorized entry and the removal or destruction of any of the Defendants' properties or assets within the offices.

9. The Receiver photographed the interior of the offices, and conducted an initial, preliminary inventory of the properties contained within the offices. Among other things, the Receiver inspected the workstations, computers, computer files and disks, telephone systems, safes, and other furniture and equipment contained in the offices.

10. The Receiver notified the landlords of each of the offices of his appointment and provided them with copies of the Order.

11. The Receiver reviewed a portion of the mail that had been delivered to the Defendants at the offices; however, due to the voluminous nature of the mail, the Receiver has not attempted to review all of these items. The U.S. Postal Service has advised the Receiver that it is holding additional mail for delivery to the offices. In addition, a Pac N' Send office on Walsingham Road in Largo has advised the Receiver that it, also, is holding mail for delivery to the offices.

12. The Receiver created backups of all computer files at the offices and moved the backup disks to a secure, offsite location. Because internet service has been terminated by the Defendants' internet services providers for lack of payment, there is no offsite access to the computer files.

13. The Receiver has removed certain books and records to offsite, secure locations.

B. Identification and Communication with Officers and Employees

14. Upon taking possession of the Defendants' offices, the Receiver reviewed the payroll records and internal phone directories to identify its officers and employees. The Receiver also interviewed the Defendants' human resources director and discussed the tax status of the officers, employees and other persons who provided services to the Defendants. In addition, the Receiver has been responding to telephone calls from many employees and, in addition to advising them of the status of this matter, has kept a log of these communications.

15. The Receiver has not determined how many persons the Defendants may have employed while in operation. The exact number of employees appears to have fluctuated significantly over the past 1½ years. In addition, many persons apparently provided services to the Defendants as both independent contractors and W-2 employees.

16. The Receiver is continuing to review the books and records and communicate with former employees of the Defendants in order to determine the potential liability to them for wages. It appears, however, that many employees have not been paid for one full week, and for a partial week through February 17th, when the Defendants' apparently vacated the offices. It should be noted that the employees appear to have removed most if not all of their personal belongings from the offices prior to the Receiver's appointment.

C. Freezing and Taking Possession of the Defendants' Bank Accounts

17. On Monday, February 23, 2009, the Receiver furnished copies of the Order to Bank of America and Wachovia Bank by facsimile transmission and FedEx, thus notifying them of the preliminary injunction and appointment of a receiver. The Receiver identified these two financial institutions as potentially holding funds of the Defendants based upon several monthly statements of account found within the offices. Unfortunately, however, Wachovia has advised

the Receiver that all accounts for the Defendants are closed and have no funds. Although Bank of America has confirmed that it has 5 deposit accounts of the Defendants, the aggregate amount of funds in these accounts is less than \$300.

18. The Receiver subsequently requested that Wachovia and Bank of America provide him with monthly statements, wire transfer instructions, credit and debit memos, and related items, for the time period from inception to the present, for each of the accounts that the Defendants maintained at any time at the institutions. This documentation is especially critical to the Receiver because the Defendants did not maintain any reasonable accounting system for receipts and disbursements from the accounts; instead, it appears they simply conducted business either out of a checkbook or online.

19. The Receiver is continuing his review of books and records and investigation into the affairs of the Defendants to determine if they may have established and maintained accounts at other financial institutions.

D. Outstanding Claims and Litigation

20. The Receiver has attempted to identify outstanding claims and litigation through a review of the Defendants' books and records, correspondence reviewed to date, telephone conferences with third parties, and interviews with Ms. Clark, former employees, and officials of the Office of the Florida Attorney General. This inquiry has found that law enforcement or consumer protection agencies from at least 17 states are actively investigating the Defendants and their activities. The Receiver has advised spokespersons for many of these agencies of the Court's preliminary injunction and his appointment. In addition, there appear to be at least four pending litigation matters in which the Defendants are named as defendants, including the instant action by the Office of the Florida Attorney General. The Receiver is in the process of appearing

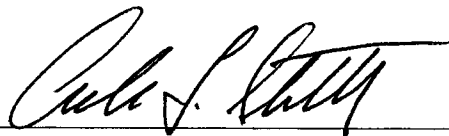
in these ongoing matters, and anticipates seeking a stay of the private litigation. A log reflecting those known complaints, demands and other legal matters in which the Defendants are involved is attached to this Initial Report as Exhibit A.

E. Status of Financial Review and Analysis

21. The state of recordkeeping was extremely chaotic. Activities with consumers are included in the Defendants' server and certain additional information in a PayPal account. Further, the Receiver has located certain billing invoices reflecting apparent sales to distributors which approximate \$70,000. However, the validity and collectability of those accounts is uncertain. The Receiver has located invoices for items such as rents due under facility leases, utilities, credit card obligations, equipment leases, and similar payables.

22. There appear to be literally thousands of pieces of mail that have not yet been processed. Accordingly, matters of significance may come to the Receiver's attention as review of the Defendants' operations and activities continues.

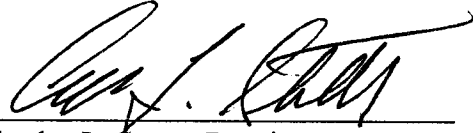
Respectfully submitted this 6th day of March, 2009.



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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing Initial Report of Receiver were furnished by First Class U.S. Mail to Robert J. Follis, Assistant Attorney General, Counsel for the Plaintiff, 3507 Frontage Road, Suite 325, Tampa, FL 33607 and Thomas C. Little, Esquire, Counsel for the Defendants, 2123 N.E. Coachman Road, Suite A, Clearwater, FL 33706 this 6th day of March, 2009.



Charles L. Stutts, Receiver

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