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To: File
From: J. MacGregor
Date: 05/11/04
Subject: Options Talent, Inc., f/k/a eModels, Inc., f/k/a TCT, f/k/a Wilhelmina Scouting Network

This is to provide status of the Option's Talent investigation that was assigned to me after the resignation of the previous attorney, Jackie Dowd.

First of all, I was amazed that, after 19 months of investigation, there had been no subpoena for information or documents, nor an attempt to do a forensic review of the company. It appears that the investigation was based mostly on information provided by private citizens who communicate via internet which is truly an odd way to develop a case that could go before a judge. Be prepared: there are voluminous e-mail correspondence.

My first objective was to do a complete review of the company, get the facts, and then proceed to litigation if it could not be settled. As you know, the end game is a judicial forum with an objective judge—so everything must be vetted, understood, and analyzed so as not to end up with egg on your face. Interestingly, the facts that I discovered were not what I first expected them to be, and I am just amazed how this investigation has dragged on.

The company was very co-operative to that end, and we were provided complete and unfettered review of the materials and documents. The forensic review was conducted by two investigators (one with over 10 years experience in the FBI) and myself, and took over two months working full time. We can safely conclude that the company lost multi-millions during the one-year involvement of Lou Pearlman as shareholder and director. Based on a prior employee's statements (C. Roberts) and our investigation, Pearlman was not involved in the company to a degree that would impose Chapter 501 civil liability upon him, which, as you know, has a very low threshold. Base on our investigation, it appears that conditions at the company improved once Pearlman and his associates became affiliated with it. I mention his name specifically because it seemed that he was the target of Dowd as reflected in some of her numerous e-mails to outside parties (which is understandable under a deep-pocket theory). For whatever reason, she ignored C. Roberts information even though her coterie of internet misfits referred to him as the "keeper of the kingdom."

In addition to the review of Option's records, my investigators and I were

allowed to inspect and review the operating procedures and marketing material of the new company. Based on a thorough review of Fashion Rock, LLC (including attendance and questioning of consumers and agents at the March 2004 Fashion Rock event), we conclude that it is not violating Florida law and has numerous compliance employees and monitoring policies to that end. In addition, there are audio confirmation and verification records, in addition to other records, on each consumer who participates in the events. My investigator and I intend on attending the next event to further confirm that the company is compliant with Florida law. Considering that the basis of the company deals with dreams, I expect that there will always be complaints on this company by virtue of the nature of the beast.

With respect to Option's Talent, my staff and I reviewed each and every complaint sent to our office. This involved time as we had over 2000 complaints, but no one had previously reviewed the complaints to see if they alleged a violation of law. Interestingly, the overwhelming majority of them did not state a complaint or reflect a violation of law. It is also worth noting that the company has no record on over half of the complainants. It appears that there was an effort to generate as many complaints as possible without reflection or understanding the genesis of the complaints.

Of the complaints themselves, the misrepresentation claims are refuted by the consumer audio tapes. The company, almost since inception, had a verification and confirmation process that were saved on DVDs. I've listened to some of the recordings (roughly 150,000 exist) which confirm that the consumers were aware that the company was not an agency, did not promise any jobs, and had a strict no refund policy. Further investigation revealed, however, that the company, since inception, provided refunds based on multitude reasons, including, but not limited to, three day rescission rule, poor service, buyer's remorse, money issues, etc. The other issue is pressure tactics, but those complaints are suspect because of the way the complaints were generated, which I will delve into below. Even though our office stated there were over 2000 complaints, I believe the real figure is less than half of that, and of those, 482 consumers were either refunded or provided free service. The majority expressed issues of poor product or service. In addition, the other issue complaints dealt with franchisees as opposed to franchisor level. Most of the franchisees were outside Florida. In other words, I have jurisdictional problems. In any event, to put a value on a case where the target is in bankruptcy, I determined that the actual complaints, ignoring the legal sufficiency of the complaints, represented less than half of 1% of the total sales. Furthermore, I have records of each and every consumer information, contact and interaction with the company which reflect interaction between consumer and company (and sometimes contradict complaint information).

Here are the troubling matters that we've uncovered which is more of an internal affairs issue, but seriously affects the investigation. There are voluminous and extensive e-mail correspondences, and, I assume on review of those e-mails, telephone communication with private individuals by Dowd. These e-mails are public record even though the individuals seem to think Dowd offered confidential status (I received phone calls when some became aware of the company's public records requests). These individuals have no personal knowledge of the company; they are not consumers; and they do not work for any governmental agency. These individuals are (there may be more, but I really don't know at this time): Bill Rosenberger; Frank Torelli; Ed Magedson; Roberto G. Villasenor; and others who go by the aliases of Easy

Background Check and Modeling Fraud Investigators. And I do not know or understand their motives.

Bill Rosenberger is associated with www.transconscam.com, although he denied it to me when asked; however, I was provided evidence to the contrary, and, therefore, he has given a false statement to an enforcement officer (I guess that puts him in the same boat as Martha Stewart). Rosenberger's website contains scurrilous and calumnious allegations that are really over-the-top. It appears that one of the goals of the website was to generate complaints and basically coach the complainants in what to say, which, of course, compromises the complaints, but give them credit, it did generate complaints. The internet archives reflect it was first coached to include fraud and deception, but later amended to include high pressure tactics. As you can image, when I first survey the consumers, I thought they would be good witnesses, but once I was aware of the verification and confirmation process and more about the sales method (and, of course, at trial, they will be subject to cross), I asked more specific questions which revealed more information about their knowledge and acceptance of the terms and conditions of the company, and the case just keeps getting weaker and weaker.

Frank Torelli and Ed Magedson are associated with Rip Off Reports, and a simple background check reflected criminal convictions of forgery/worthless check on Ed Magedson from Dade County. It also appears that there may be an outstanding warrant for his arrest, possibly a VOP that had not been resolved. Anyway, that conviction blows a huge hole in his veracity and is not a person to receive investigative information. With respect to Roberto G. Villasenor, he apparently goes by the alias of "the_worm06" and appears to be involved in stock market discussion websites. As you can judge for yourself, these are not the type of people to confide investigative details.

I had not reviewed these voluminous e-mails until the public records request for the "raw intelligence," but once I discovered them, it took about a week before I was able to get my lower jaw off the floor. The damaging aspect of this is the concerted effort these individuals took to disrupt the company's business, other businesses not associated with Option's Talent, and end merchant account arrangement with banks and credit cards. I guess they assumed they were judge, jury, and executioner; thus, everything and anything was fair game. Truly amazing, in my opinion.

As you know, there is much media interest in this matter. My staff and I have worked diligently in assembling all records and documents which do provide an objective and factual basis for our conclusions. The records and documents are in Tampa in their unadulterated and unexpurgated form.

Getting back to the investigation, I intend on ending the investigation as the company is in bankruptcy, which I have discussed thoroughly with the assigned trustee, and there is no deep pocket to seek monetary relief. Additionally, the trustee is very capably and sees no problem or limitations from leaving the action in Reno, and, we are concerned that transferring the case will only serve to dilute the estate to the detriment of creditors. Lastly, our claim for approximately \$17,000,000 cannot be supported or claimed in good faith and will be amended.

This was not what I had first expected the result to be, but after an extensive forensic review of the case, these are the findings that exists.