

**DECLARATION OF LEE SMITH PURSUANT TO 28 U.S.C. § 1746**

I, Lee Smith, have personal knowledge of the following facts and matters discussed in this declaration, and if called as a witness, could and would testify competently to them:

1. I am over 21 years of age and a resident of Goodyear, Arizona.
2. I am currently employed as founder and owner of ConnectDirect, a company specializing in debt settlement and short sale investing. I have a background in marketing and had worked for another pre-foreclosure company before I learned about Freedom Foreclosure Prevention Services.

**My Introduction to Freedom Foreclosure**

3. In approximately 2004, I learned about Freedom Foreclosure Prevention Services ("FFPS" or "Freedom Foreclosure") through a classified ad in *USA Today* marketing Freedom Foreclosure's business opportunities. Specifically, Freedom Foreclosure advertised the business opportunity of becoming a loss mitigation consultant.
4. Since Freedom Foreclosure was based in Mesa, Arizona and I live nearby in Goodyear, Arizona, I went to the corporate office to find out more about the company.
5. I learned that the training program cost approximately \$2,000.00. I received a discount because I brought marketing materials to Freedom Foreclosure from another company that I had worked for.
6. After paying Freedom Foreclosure's fee and receiving training, I learned that consultants could earn money in two ways: (1) by referring homeowners to Freedom Foreclosure for loss mitigation services and/or (2) by recruiting additional consultants to the company.

7. At that time, once a consultant recruited a homeowner to Freedom Foreclosure, a company called Schultz and Schultz would do the loss mitigation work. In late 2004 and early 2005, Freedom Foreclosure did not yet have its own in-house loss mitigation department.

8. I worked for Freedom Foreclosure for about four to six months in early 2005. I did not make much money as a consultant. I left because I was not making a lot of money due, at least in part, to the market conditions at that time. Specifically, the real estate market was so hot then that people could usually sell their homes or refinance to avoid foreclosure.

9. After two-and-half years away from the company, I came back as the national marketing director in approximately January 2007. I started talking to Jeff Segal, President of Freedom Foreclosure, about returning in November 2006. I signed a new independent contractor agreement in January 2007. My contract stated that I would receive an override of every program sale, as well as a payout when the company was sold.

#### **Freedom Foreclosure's Marketing Plan**

10. When I came back to Freedom Foreclosure as an independent contractor in January 2007, I was hired to assist with the company's marketing plan. I worked on both "program sales," which refers to sales of the consultant business opportunity, and "case sales," which refers to sales to homeowners of Freedom Foreclosure's loss mitigation services.

11. I created a new marketing program with a new look and new marketing materials for the company. Among other things, I drafted scripts to be used by

consultants when recruiting other people to join as consultants. Those scripts emphasized the ability to make six figures, citing an ability to make \$500 to \$2,000 per client. Jeff Segal was involved in the marketing decisions at every point that I worked at Freedom Foreclosure. A true and correct copy of the marketing script is attached as Attachment A.

12. I created a new and improved Powerpoint presentation used for training. Jeff Segal gave me access to the consultant database so that I could send out the Powerpoint presentation and updates. In 2007-2008, the consultant database included about 3,000 consultants, approximately 900 of whom were active, meaning that they had completed training and were actively processing cases.

13. I also switched Freedom Foreclosure from its old model of using conference calls for training to the new model of using webinars. I created four pre-recorded training programs on: (1) bankruptcy, (2) Freedom Foreclosure's application processing, (3) application submission, and (4) how to get started in the business. I also hosted four live program sales webinars per week, plus one or two marketing training webinars.

14. I delivered, recorded and scheduled the webinars for Freedom Foreclosure while I was employed there. Jeff Segal also spoke on some of the webinars.

15. The webinars and other marketing materials emphasized an earning potential of \$10,000.00 per month, based on a consultant taking four to five cases per month. The webinars also included a disclaimer stating that this was a business opportunity and that consultants could earn nothing. The cost for the training for the business opportunity was \$1,497.00.

16. The webinars explained that consultants could make money in two ways: (1) signing up homeowners for Freedom Foreclosure's loss mitigation services and (2) signing up other consultants. The webinars emphasized that the company's main focus was to help homeowners, not to recruit other consultants. Nevertheless, the webinars warned that consultants were only paid commission when the homeowner's case closed and that it often takes a while to get cases closed. Recruiting consultants could give them a steady monthly income rather than working with homeowners which required waiting for cases to close to get paid.

#### **Changes at Freedom Foreclosure**

17. During the time that I worked for Freedom Foreclosure, the company expanded. Freedom Foreclosure moved from a small office on Dobson Road in Mesa to a large office space on Power Road in Gilbert.

18. By the time I returned to Freedom Foreclosure in January 2007, the company had hired Renae Gorney to run its own in-house Loss Mitigation Department. As the demand for foreclosure prevention services grew, Freedom Foreclosure also hired more mitigators for the Loss Mitigation Department, including Renae's daughter, Jennifer Ferrante. Renae and Jennifer also started doing their own training videos. In 2007 and 2008, there were approximately six to eight mitigators in Freedom Foreclosure's in-house loss mitigation department, including Jeff Segal's wife, Canela Segal, who was a Senior Mitigator.

19. By 2006 and 2007, by my estimation, Freedom Foreclosure was one of the largest loss mitigation companies in the country, based on the number of consultants and the number of staff handling loss mitigation in the corporate office.

20. In early 2008, I asked Jeff Segal about how many homeowners' cases he thought that they were handling. He said they were handling about 150 to 200 cases per month and closing 40 to 50 cases per month. He projected that with the new infrastructure of the in-house loss mitigation department in place, the company would be closing approximately 80 to 100 cases per month.

21. In approximately May 2008, John Watts joined Freedom Foreclosure as Chief Operating Officer. John did an audit of the company which revealed that Freedom Foreclosure was only closing about 6% of its homeowners' cases.

22. When John Watts told me the actual numbers of homeowners serviced, I was furious. Jeff Segal had misled me into believing that the company was servicing a lot more homeowners. John and I went to Jeff to ask him about the numbers.

23. In June and July 2008, John and I had meetings with Jeff almost every day after work to discuss how to unclog the Loss Mitigation Department. Jeff Segal and Mike Workman blamed Renae Gorney and suspended her without pay at first and then terminated her. At the time, I kept notes of our meetings. A true and correct copy of those notes is attached as Attachment B.

24. John Watts and I told Jeff Segal that he needed to stop selling the loss mitigation consultant business opportunity until he was able to actually service the homeowner clients. We told him that it looked to us like he was running a Ponzi scheme because everyone was paying for the services but Freedom Foreclosure was not selling any product.

25. Jeff Segal replied that he did not want to stop selling the consultant program because that is how the company made its money. To me, that statement was a

big red flag. Segal also accused me and John Watts of trying to sabotage his company by suggesting that he stop selling the consultant program until he was actually able to provide services for homeowners.

26. John Watts and I presented proposals of other ways for the company to generate income streams (such as short sales or debt settlement) without continuing to sell the consultant program. In July 2008, we were ready to launch the new program when Jeff went on vacation for eight days.

27. While Jeff was on vacation, I became more aware of the volume of complaints from homeowners and consultants. It became clear that the way Jeff handled complaints was to ignore them. We also discovered that the company had no money left for payroll. We tried to find out why but were unable to determine what happened to the money because to my knowledge, only Jeff Segal had authority and access to the company's books and banks.

28. In addition to suggesting that the company seek out new income streams, John and I also suggested to Jeff Segal that he expand the Loss Mitigation Department. Jeff claimed that the company did not have enough money to do that. In the alternative, we suggested outsourcing the cases to another loss mitigation company. Canela Segal, who had taken over the loss mitigation department after Renae Gorney was dismissed, refused. Canela wanted to keep the loss mitigation department in house so that she could make more money herself. She said something to the effect of "I want to make more money than Jeff does."

29. In early July 2008, all of the owners of Freedom Foreclosure met to discuss the problems that John and I had raised. These owners included: Jeff Segal,

President; Mike Workman, Vice President; Joan Dunkel; Renae Gorney, Loss Mitigation Director; EJ Walker, bookkeeper; and Jim Hutchinson.

30. Around that time, I spoke with Mike Workman on the phone (because Mr. Workman lives in New Hampshire). He told me that he created Freedom Foreclosure, he knew full well everything that was going on at the company, and he was going to fix it. More specifically, he stated that he knew about the problems with payroll being tight and knew that there were problems with the loss mitigation department.

31. Workman also left me threatening voicemails saying that I was trying to sabotage the company, it was none of my business and that he would make sure that I was dealt with legally.

32. In mid-July 2008, Michael Workman came to Arizona for about a week. He spent the first three days talking to attorneys and putting together an agreement for him to take over the company from Jeff Segal. They also had their attorney draft a cease and desist letter to John Watts and me, alleging that we were sabotaging their business.

33. On or about July 21, 2008, I resigned from Freedom Foreclosure. The same day, John Watts, Acting Chief Operating Officer, resigned. After I resigned, on or about July 26, 2008, I emailed a copy of my resignation letter and Mr. Watts' letter to the consultant database that I had access to as part of my job. I told the consultants that I was resigning because I could not market a company that I could not believe in. I explained that I had concerns that the company's business practices were becoming unethical. True and correct copies of my email to Segal, Mr. Watts' resignation letter, and my resignation letter are attached as Attachment C.

34. In response to my resignation letter and email to consultants, I received replies from approximately 100 consultants, many of whom were choosing to end their association with Freedom Foreclosure as well. I saved many of those email replies. A true and correct copy of those email replies is attached as Attachment D.

35. In response to my resignation emails, on July 26, 2008, Michael Workman sent me an email threatening a defamation suit against me. The same day, Segal sent me an email asking me to cease and desist sending any correspondence to Freedom foreclosure employees. True and correct copies of those emails are attached as Attachment E.

36. On July 28, 2009, Segal and Workman sent an email to the consultant base, alleging that Watts and I were terminated due to "an internal investigation." A true and correct copy of the email is attached as Attachment F.

37. On August 8, 2008, Freedom Foreclosure sent a formal letter from its attorney, The Law Offices of Donald H. Hudpseth, threatening legal action based on alleged defamation, breach of contract, and trademark and copyright infringement. A true and correct copy of the August 8<sup>th</sup> letter is attached as Attachment G.

38. On or about July 25, 2008, I filed a complaint against Freedom Foreclosure with the Arizona Attorney General's Office. In my complaint, I stated that I thought Freedom Foreclosure was operating a Ponzi scheme. A true and correct copy of my Arizona Attorney General complaint is attached as Attachment H.

39. After I left Freedom Foreclosure, Jeff Segal did not honor his commitment to pay me overrides. In the fall of 2008, I met with attorney Robert Gregory two times about what happened at Freedom Foreclosure. Renae Gorney (former Loss Mitigation



director), EJ Walker (former bookkeeper) and John Watts (former COO) were also at these meetings. At these meetings, Renae Gorney and EJ Walker explained that they sought out Mr. Gregory because they were not paid what they were promised when they left Freedom Foreclosure either. Specifically, they were never given any compensation for their ownership shares when they were terminated.


40. On or about December 31, 2008, Michael Workman took down Freedom Foreclosure's web site and put a comment on the "members only" page for consultants stating something to the effect of "due to numerous lawsuits" and market conditions, Freedom Foreclosure is no longer accepting new consultants or new homeowners.

41. On several occasions, Segal told me that if anyone caught on to his scam, he would just "bail and go underground." He has also told me about buying gold bullion, using money he took out of Freedom Foreclosure, and keeping it at his house. Several times, he has talked about taking his money and fleeing to Costa Rica.

42. To date, I still have not received all of the compensation owed to me from Jeff Segal. Upon my resignation, I asked him for an accounting of what he owed me and he still has not provided that.

I state under penalty of perjury that the foregoing is true and correct.

Executed on: 4/22 2009.

  
\_\_\_\_\_  
Lee Smith

FFPS Prospecting Script  
(Last updated 7/21/2008) Ver 10.0 (Page 3)

**FOLLOW-UP SCRIPT**

Hello, may I speak to \_\_\_\_\_.

Hello (NAME), this is \_\_\_\_\_ with Freedom Foreclosure Prevention Services, touching base for our follow up appointment. **Did you have a chance to watch all 3 movies on the website? IF NOT TELL THEM THESE MOVIES ARE DESIGNED TO ANSWER 99% OF THEIR QUESTIONS. OTHERWISE YOU WILL GET BOMBARDED WITH QUESTIONS.**

**Great! What part did you like the most?** (Very important) (Let them answer to determine if they really attended and paid attention) You can also check your tracking system in your Members only area before you make your callback.. Click on LEADS/APP Center and go to your ffpsmovie link.

**Do you have any questions I can help you with?** (Answer the questions) (If they have a lot, you may want to take them through the Members Demo link on your [www.FreedomForeclosure.net](http://www.FreedomForeclosure.net) site or have them watch the Tour movie again on your [www.ffpsmovie.com](http://www.ffpsmovie.com) site)

**(NAME), are you ready to partner up with me and start making money with FFPS?**

REMEMBER TO ALWAYS ATTEMPT TO COLLECT A DECISION (YES OR NO).

(If money is an issue)

(NAME), I understand your situation. Let me ask you a question.

How would it feel to NEVER have to say "I can't afford it" ever again? (Let them answer)

Believe me (NAME), I know how you feel. When I was looking for a legitimate opportunity, I felt the same way most of the time. However, what I have found is that when people are serious about changing the quality of their lifestyle, they find ways to make it happen.

With the Foreclosure Market out of control, there will be tens of thousands of people looking for help. Imagine making a Full-Time Income working Part-Time while helping families save their home. Wouldn't that be nice?

(Let them respond) (Negative – NEXT) (If they are positive, mention our finance options to get started) \$997 down and 2 payments of \$275... (Make sure to write that on the tuition agreement.

Walk them through the sign up process on your [www.FreedomForeclosure.net](http://www.FreedomForeclosure.net) site

Step 1) Register and create their new websites.

**Step 2) Have them print, complete and fax or Overnight their FFPS Tuition Agreement to the FFPS Corporate office depending on the payment option they choose.**

**Make sure they cross out the Retail Price and write \$1,497 and "Movie Special**

**FFPS LMC Prospecting Script**

(Last updated 7/21/2008) Ver 10.0 (Page 1)

Hello, may I speak with (NAME) This is \_\_\_\_\_, returning your call, you responded to one of our ads about becoming a Certified Loss Mitigation Consultant, helping families from losing their homes to foreclosure.

(NAME), I will need 6 minutes of your valuable time. Is now a good time to talk? Do you have a pen and paper handy? My Name again is \_\_\_\_\_.

First off, I want to let you know I'm calling you from \_\_\_\_\_ We are building our team nationwide, in search of quality ethical professionals that are serious about generating **a potential six figure income in the next 12 months.**

Income potential as a Certified Loss Mitigation Consultant is **\$500-\$2,000 per client** for approximately and hour of work \_\_\_\_\_ and there are other income streams you will have access to. By the way Experts are predicting close to 7 Million Foreclosures in the next 5 years. So finding clients will not be an issue.

I'm very selective who I choose to work with \_\_\_\_\_, so with your permission I'd like to ask you a few key questions to see if you have the qualifications, so we don't waste our valuable time.

*What do you currently do for a living now? How long? How do you like it?*

*What kind of business or sales experience have you had over the last 2-5 years? (Optional)*

*What kind of household income are you accustomed to making?*

*Do you have access to the Internet? What is your email address, so I can send you out one of our Professional Email Packages \_\_\_\_\_*

*Most importantly \_\_\_\_\_, be upfront with me, how much money do you want to make monthly? (Optional Money Qualifier) If I could show you a proven vehicle with a 5 year track record and you could see yourself earning a very lucrative income, could you find \$1,497 to get started after fully investigating our company and services? If NO, tell them we provide in-house No Qualifying financing.*

The company I represent is called Freedom Foreclosure Prevention Services, Have you ever heard of us? **pause** We are a debt free company headquartered in the Phoenix, Arizona area. We specialize in the Multi Billion Dollar Loss Mitigation Industry. Do you know what LOSS MITIGATION IS? We provide a service where we help homeowners save their homes from being foreclosed on by the banks!.

As long as you are coachable trainable and most importantly, do not try to reinvent the wheel; this proven system is in place that will allow you to earn a great income

FFPS Prospecting Script  
(Last updated 7/21/2008) Ver 10.0 (Page 2)

(NAME), let me give you some highlights to our program.

- Earn \$500-\$2,000 per client utilizing our state of the art system... all you need is a phone and an Internet Connection.
- Earn from the comfort of your Home or Office.
- Condensed Training and Fast Start System where you could be up and running within 72 hours.
- Streamlined Case Submission Process that leverages your time to earn more commissions.
- Multiple Income Streams for a potential six figure annual income.
- Potential Pre-Foreclosure Property Investing local and nationwide.

Here's what we need to do next if **you are serious** about making a potential six figures in the next 6-12 months.

I would like you to review our Recorded Webinar Movie site. There are 3 movies on this site I would like you to watch (about 60 minutes) to complete your due diligence on this exciting Niche Industry.

Now \_\_\_\_\_ after you've reviewed the 3 movies on our Movie website. I will call you back at our scheduled appointment time to answer any questions you may have.

Your due diligence or homework assignment will be:

Step 1) Review our website at [www.ffpsmovie.com](http://www.ffpsmovie.com) / yourusername

Step 2) Review our corporate website at [www.freedomforeclosure.net](http://www.freedomforeclosure.net) / yourusername

Let me make sure you have my contact information: My name again is \_\_\_\_\_  
and my direct phone number is \_\_\_\_\_

What time tonight or tomorrow would be a good time to do a follow up with you?  
Have an outstanding day/night and I look forward to speaking with you \_\_\_\_\_.

(NAME), if for any reason you can't make the appointment, please give me the professional courtesy of rescheduling the appointment if you can't make it. I will do the same on my end. Fair enough?

NOTE: IF YOU WANT MASSIVE RESULTS. DO YOUR FOLLOW UP CALLS  
AND SEND OUT THE PROMISED EMAILS

JUNE 17<sup>TH</sup> BACK IN OFFICE / FIRST MENTION OF APPEARANCE OF A PONZI SCHEME

JUNE 24<sup>TH</sup> FIRST LATE-NIGHT DISCUSSIONS

JUNE 28<sup>TH</sup> - SAT - DASIL - FIRST MEETING ABOUT LM

JUNE 30<sup>TH</sup> - JULY 3<sup>RD</sup> - REPORT AND RECOMMENDATIONS

JULY 27 - LUNCH - JOHN, LEE, JEFF & CAROLA

" 28<sup>TH</sup> DEB & MEETING w/ IDEAS OF INCOME STREAMS/LM / SHUTTING LMC SALES DOWN

MONDAY JUNE 30<sup>TH</sup> - 2 MEETINGS w/ JEFF TO DISCUSS OTHER FIVE FLOW & LM SALES TO INCREASE LM BUSINESS

TURSDAY - WEDNESDAYS & LATE-NIGHT MEETINGS JOHN, JEFF, LEE  
JULY 1<sup>ST</sup> MATT & CAROLL

MATT EXPRESSED CONCERN OF LMC SALES AND GETTING CASES DONE. ALSO MATT COMPLAINED WAS LACK OF LM LEADS & JEFF READING THEM TO CALL LMC LEADS THAT WERE FROM OLD DATABASE. NEW STRATEGIES WERE DISCUSSED AND STOLI SALES TO OUTSIDE AGENTS.

WHOLE NEW TRAINING PROGRAMS WAS DISCUSSED W/ MATT

WEDNESDAY - MATT CONTINUED TO TRY TO MOTIVATE SALES STAFF TO CALL LMC LEADS, JOHN, JEFF

JULY 2<sup>ND</sup> I CONTINUED TO DISCUSS OPTIONS FOR LMC. JEFF ASSURED JOHN & I THAT THERE WERE ADEQUATE RESOURCES TO BUILD OUT LM DEPT. JOHN MADE IT CLEAR AT LUNCH THAT THERE WAS OF AN IMPORTANCE TO FIX THE LM DIVISION.

DO NOT ANSWER EMAIL / JAMES  
WRITE EMAIL  
I HOPE CALL NEXT DAY  
W/ DAN, JOHN & J

THURSDAY - LATE-NIGHT MEETING - JOHN, JEFF, CAROLA, LEE & MATT  
JULY 3<sup>RD</sup> POSSIBLE ACTION DISCUSSED FOR DENIAL. WHEN BASIC FIVE ADVICE WAS ALMOST COMPLETE IS WHEN JOHN

STANDARD THE TEAM CONCERN OF APPEARANCES. JEFF CONTINUES TO MAINTAIN THE IDEA THAT LMC SALES WERE HIS "CASH COW" AND EXACT WAY TO FUND THE COMPANY. JOHN, MATT AND I STARTED OPPOSITION THE LONG TERM STRATEGY THAT JEFF HAD IN MIND. CARIELA & MATT LEFT TEAM AND JEFF MADE THE STATEMENT "IF THIS FALLS APART, I JUST GO UNDERGROUND AND THEY CAN F- OFF". AFTER THE MEETING, JOHN, MATT AND I MET TO DISCUSS WHAT WE ALL WERE JEFF HAD INTENTION OF FIXING PPS,

INCOMES  
SUCCESS  
NOT PHOTOS  
AND COMMISSION  
BOOST  
WARRANTY TO  
POPPLE LMC  
PAID TO  
PAID PPS  
LOVE FORWARD

FRIDAY - SERVICE CLOSED

JOHN AND I DISCUSSED ON THE PHORIE OF WAY TO DO AFTER THE "BOARD MEETING" AND POSSIBLE OUTCOMES. REAL CONCERN OF PPS CONCERNED P EMPLOYEES. "HOW DO WE SAVE PPS FROM SINKING?"

SATURDAY JUNE 5TH - MEETING

MONDAY - JUNE 7TH - WAS TORN OF PLENARY SUSPICIOUS - STROKED AND DISHEARTENED. WAS SHAD TO DO NEW RECORDALS W/ PLENARY. ALL DAY MEASURES TO DISCUSS AND INCOME STREAMS AND TIE INS TO PPS. OUTSOURCING THE LM FILES WAS DISCUSSED TO A HIGH VOLUME EXCEPT MATT, JOHN, JEFF, CARIELA, I IN A MEETING AFTER NOODS PUT FORTH THE IDEA OF HOW THIS WOULD WORK. AUNT VERA UPSET BECAUSE SHE WANTED COMPLETE CONTROL OF THE HOUSE LM DEPT. BO SHE COULD "MAKE MORE MONEY THAN JEFF FOR JUST ONE MONTH" JOHN, MATT & I WERE SHOCKED AT THE COMMENT. JOHN MADE IT CLEAR TO ALL

JEFF TOLD  
MAYBE THAT  
THE WORLD  
WASN'T  
GONNA  
BE THAT  
BAD  
TO DO  
THE  
DEAL

THAT OUTSOURCING WAS THE ONLY SOLUTION FOR, (MURDER)  
PUB FLOW. CANEKA WAS VERY WORRY AS ALL OF US  
FOR EVEN SUCCESSFUL IT NEW OFFICE LAYOUT WAS  
DESIGNED AND A WALL THROUGHOUT FOR EXPANSION  
WAS DECIDED UPON.

TUES JUNE 9TH - <sup>MATT AND I</sup> CAME IN EARLY TO START MORG  
AND WAS VIBRANTLY DISAPPOINTED BY CANEKA  
IN FRONT OF ENTIRE STAFF. STARTED DISCUSSION OF  
LM CASE PUB FLOW ALL OVER AGAIN. PARENTS ATTITUDE  
BY JOHN TO FIX PUB FLOW WAS REINFORCED BY JEFF  
AND CANEKA. A PLAN OF ACTION WAS DECIDED EVERY  
EVENING. ONLY TO HAVE IT CHANGE THE NEXT DAY.  
A PATTERN OF IRRATIONAL DECISION MAKING AND THE  
CONTINUED DEPRECIATION OF MORGENTHAU FROM LMC SALES  
HAD JEFF ~~TO~~ LOOKING OVER EVERYONE'S SHOULDERS  
AND BLOCKING RECENT ADOPT ATT' EXISTED THE LMC DEPT.  
WORDS - GET

Call with Dan Nelson - Dan was furious AT  
THE PUB FLOW AND THE FACT THAT HE WAS ASSAULTED BY  
JEFF THAT THE KIX WAS ALREADY IN PLACE. JEFF ASKED DAN  
\$K FOR ANY LMC OR JLM DEALS IN THE PIPELINE FOR  
"FAST CASH". Dan was furious AT JEFF FOR HIS CONTINUED  
ATTITUDE THAT ~~WE~~ "98% OF NEW LMC'S NEVER DO  
ANYTHING AND WE HADN'T HAVE TO WORRY ABOUT THEIR LM  
CASES". Dan with GREAT CONCERN SAID "JEFF, FROM THE  
OUTSIDE, IT LOOKS LIKE YOUR RUNNING A PONZI SCHEME".  
JEFF HAD PERSONAL STUFF THAT TO ASK ABOUT DAN BELONGING



LMC SAYS, THIS TRAVEL UPSET DAN. DAN SUGGESTED TO JEFF THAT HE LET ~~JEFF~~ <sup>CONFEREE</sup> LOOK AT HIS FINANCIAL SITUATION AND LET THEM HELP JEFF MOVE FORWARD.

JEFF LEAN TO PAY HIS SON'S BACK SCHOOL TUITION BECAUSE OF CONCERN OF PPS'S ABILITY TO CONDUCT BIZ.

- NO REPORT ON JEFF - JEFF BIGGEST CONCERN

"HOW DO I GET RID OF DAN NELSON"

FILE REPORT - STATUS & FLOW

SYSTEM ACCESS TO HIS TEAM

FILE TRACKING

UPDATES TO HIS FILES

COMMISSION REPORT

ALL OF THE ABOVE - NOT SUPPLIED TO DAN AS OF MARCH 7/2008

DAN MADE IT CLEAR THAT HE WOULD NOT DO BUSINESS WITH PPS IF JOHN & I WERE NOT INVOLVED. HE HAD NO FAITH OR TRUST IN JEFF'S ABILITY TO RUN THE COMPANY.

MEETINGS WITH JEFF AFTER CALL AND TO GO AHEAD TO MAKE PURCHASE AND ~~REPORT~~ PAY AND OUTSOURCE WHILE HE WAS ON VACATION.

THURS ~~TO~~ TO WEDS

MONITOR OFFICE RESTRUCTURE

JOHN OPERATED OFFICE SAT & SUN TO RESTRUCTURE TO CATCH UP FILES.

JEFF HADRE UP CHANGES - GAINING NEW

IT CAME IN TO PROM LINES FOR OFFICE EXPANSION AND CHANGES.

JAMES WHITE  
WENDE ROSS  
DONALD MURPHY  
DINO NELSON  
CAROL LUNDENHALL  
JIM ROHNER  
RITA RADICS  
JOHN GUZZETTI

WEDS - ALL DAY MEETING TO DO OUTSOURCE PLAN AND OTHER SERVICES. ALL EMPLOYEES WERE ~~SAF~~ DOWN (EXCEPT CAROL) TO EXPLAIN CHANGES AND GIVE RAISES TO THEM. ALL WERE EXCITED AND PLEASED WITH THE CHANGES WHEN HAD IMPLEMENTED.

THURS - START OVER

- CAROL ~~THINKS~~ ~~THAT~~ ~~IT~~ ~~IS~~ ~~CLEAR~~ ~~THAT~~ ~~STEP~~ ~~WAS~~ ~~NOT~~ ~~HAPPY~~ ~~WITH~~ ~~ANY~~ ~~CHANGES~~. ~~AND~~ ~~WAS~~ ~~HOSTILE~~ ~~TO~~ ~~EXECUTIVE~~ ~~STAFF~~. ~~AGAIN~~ ~~PLANS~~ ~~WERE~~ ~~MADE~~ ~~FOR~~ ~~MOVING~~ ~~FORWARD~~. ~~JEFF~~ ~~DID~~ ~~NOT~~ ~~MAKE~~ ~~TIME~~ ~~TO~~ ~~MEET~~ ~~W/~~ ~~JOHN~~ ~~P.~~ ~~TO~~ ~~DISCUSS~~ ~~ROLL-OUT~~ ~~OF~~ ~~LM~~ ~~SALES~~, ~~SHORT~~ ~~SALES~~ ~~PERIODS~~, ~~JEFF~~ ~~OR~~ ~~DM~~ ~~TO~~ ~~S.~~

THE PLAN WAS TO HAVE BRUCE IN INCOME. JEFF ~~INFORMED~~ ~~US~~ ~~THAT~~ ~~THAT~~ ~~WAS~~ ~~NO~~ ~~MONEY~~ ~~TO~~ ~~PROVIDE~~ ~~LEADS~~ ~~TO~~ ~~SALES~~ ~~PERIODS~~ - ~~SO~~ ~~HAVE~~ ~~THEM~~ ~~CALL~~ ~~CO-OP~~ ~~LEADS~~ ~~FOR~~ ~~LMC~~ ~~SALES~~. ~~JOHN~~ ~~AND~~ ~~I~~ ~~TOLD~~ ~~JEFF~~ ~~THAT~~ ~~THERE~~ ~~WAS~~ ~~UNACCEPTABLE~~ ~~AND~~ ~~WE~~ ~~WOULD~~ ~~PROVIDE~~ ~~SOME~~ ~~LEADS~~ - ~~SPLIT~~ ~~W/~~ ~~PPDS~~

FORWARD  
STEP  
CONC  
THURS  
M

THURS - LEADS HANDLED OUT - STAFF EXCITED AND  
LM SAKEL WERE OBTAINED & REPORTS TO OTHER  
SPECIALIST.

FRIDAY - CAROLA HOOKED TO STAFF AGAIN.  
JEFF UNABLE TO CONTROL THEM BUT WAS CLEAR  
SAKEL STAFF NEEDED TO CALL HIS LMC SAKEL  
GRADE. JOHN & I WERE DISCOURAGED. AT THIS POINT  
IT WAS CLEAR JEFF HAD NO INTENTION OF  
MOVING FORWARD TO PROVIDE LM SERVICES OR  
— JOHN DEMANDED HE PRELUDE CONTRACT FOR  
LM RESOURCE. HE ASSIGNED JOHN & I HE WAS  
DO SO AND WOULD CONTROL CAROLA. NO MORE PILES  
NO HOUSE AND MORNING WOULD START THE NEW SYSTEM.  
HAD ARRANGEMENT W/ JOHN ON SUNDAY.



Re: any email forward to me

Monday, July 21, 2008 10:38 PM

From: "Lee-FFPS Marketing Director" <leeffps@yahoo.com>  
To: jeff@ffps.phxcoxmail.com  
Bcc: "John Watts" <[REDACTED]@cox.net>, angel541978@yahoo.com

Jeff,

I have no clue where this action has come from. On Friday, you agreed to do everything needed to move forward.

For the past 5 weeks, you, John and I had several meetings discussing actions that were needed to pull FFPS out of the fire and move forward. In EVERY meeting, including the ones with Matt and Canela in attendance, we have discussed Reverse Mortgages, Debt Programs, Short Sales, Credit Repair and the file flow of the Loss Mitigation cases.

Every time we made a plan, Canela changed your mind that night and we started all over again the next day. Canela has made every attempt to block any positive actions needed to move forward. Including: talking down to people, creating a hostile work environment, acting like your decisions do not matter and making sure everyone knows that she is now the boss. Not acceptable as a work environment.

Jeff, if a sales person has no leads or bogus leads to call, they will not be around for long. They have no reasons to believe they will ever make money.

John and I had several meetings with Matt's team trying to keep them motivated and assured they would be getting more leads to call while you were on vacation. And, they were hired to sell LM cases and only did LMC sales because FFPS ran out of LM leads for them to call. So we had them call everything they had. NO Leads were called for ANYTHING other than LMC or FFPS Loss Mitigation until you returned from vacation.

Do you not remember the meeting we had after you returned, where John and I agreed to come out of pocket with our own money to get leads for the sales guys. We all agreed since FFPS was in a cash crunch we needed to look at other sources for leads.

John had a file of NOD's (@ \$10,000 dollars worth of leads) and YOU agreed to have him print leads at HIS cost to keep Matt and his crew on phone with SOMETHING. John informed you that we would grab any service we could from those leads to boost revenue into FFPS. John is a straight shooter and we had an entire ramp up plan with percentages and the referral commissions for sales and the piece for FFPS for overhead to get it rolling. There was HUGE money in it for everyone, including you and FFPS.

How is it that you expect everyone to move forward on faith and your word, when you are unwilling to do the same with others who are trying to do good business?

Jeff, you and I have worked off a verbal agreement for over a year. Everyone has gone forward on your word, but you assume everyone else does not honor their word!! And you wonder why people have a hard time dealing with you. Why does this have to be so difficult to move forward?

Matt and his team spent everyday of your vacation calling old LMC leads and a stack of bogus leads that were given to them by you. On a call where YOU agreed to up your LMC leads from the Google Co-op, Matt was encouraged to call fresh leads. That produced about 80 leads total. Not much for 4 sales people to stay busy for 3 days.

Jeff, I am very disappointed in your actions toward those who were trying to help you build a profitable

business. The promise of a bonus or a piece of back end of FFPS was exciting and compelling enough to have John and I work everyday (Including weekends) to move forward as fast as possible. But when it gets down to it, there is no back end and you have shown your unwillingness to move forward.

Without John putting the wheels in motion to save FFPS, there is no doubt that FFPS would be in deeper trouble than it is now.

Why do you think he busted his butt to do this?

Answer: Because he cares about the Consultants and more importantly, the people in your office.

Yes, Jeff, you caught us in a "Conspiracy"!!! The MASTER PLAN was to help you become profitable and solve your problems with file flow without the FFPS consultants being hurt or angry along the way. AND, to figure out how to help everyone one of your employees make more money and adapt to the changes need to move forward without them feeling like they failed.

I think you should take some time and really consider your actions. At the very least you owe John the courtesy of an explanation and a "Professional" exit interview to wrap things up.

Lee Smith  
FFPS National Marketing Director

Success is a Choice -  
- Choose Wisely

--- On Mon, 7/21/08, Jeff Segal <jeff@ffps.phxcoxmail.com> wrote:

From: Jeff Segal <jeff@ffps.phxcoxmail.com>  
Subject: any email forward to me  
To: "Lee Smith" <[redacted]@yahoo.com>  
Date: Monday, July 21, 2008, 12:00 PM

Hello Lee,

Send the emails directly to me....

I will handle them....

And why did John put my sales people on working Reverse Mortgage Leads?????

Jeff

**Jeff Segal**

President / CEO  
Freedom Foreclosure Prevention Services  
Career Training as a Loss Mitigation Consultant  
Learn the Secrets of Real Estate Investing!  
Website: <http://www.freedomforeclosure.net/jeff>  
Email: [jeff@freedomforeclosure.com](mailto:jeff@freedomforeclosure.com)  
Phone: 480-839-9900 x 102



**"Saving Homes Across America"**



**Resignation as FFPS' acting COO**

Saturday, July 26, 2008 12:30 PM

**From:** "John" [redacted]@cox.net>  
**To:** leeffps@yahoo.com

To Whom This May Concern:

Monday July 21<sup>st</sup> 2008 I resigned from my position as acting COO for Freedom Foreclosure Prevention Services in Mesa Arizona . My very short tenure (six weeks) produced some findings within the operation of FFPS that have caused me alarm. After diligent effort and recommending several operational changes I was confronted with the realization that, in my opinion only, the CEO does not wish to operate FFPS within my ethical and professional parameters.

If you wish to talk with me regarding my resignation please feel free to call. I will not expound upon any findings within the operation of FFPS or give any information that is unsubstantiated. However, I am available to detail the timeline and circumstances that led to my decision to resign; the decision to send this email was made with advice from legal counsel and is an attempt to dispel any libelous rumor or innuendo.

Good Luck in all future endeavors,

John P Watts  
[redacted]

Any attempt by FFPS, through coercion or threat, to stop any person from contacting me directly is unlawful, any retaliation or threat of retaliation in any form by FFPS upon any person who wishes to contact me directly is unlawful.

From: Lee Smith ([REDACTED]@tyto-travel-network.ccsend.com) on behalf of Lee Smith  
[leesmith@yahoo.com]  
Sent: Saturday, July 26, 2008 2:31 PM  
To:  
Subject: Resignation of Lee Smith as FFPS National Marketing Director

Dear

Please read this entire letter as it is very important information. After consulting with legal counsel, I have sent this in hopes that you will understand my position and forgive me for any inconvenience or issues this may cause.

To all the Wonderful Consultants and Professionals I have met,

Monday July 21st 2008 I resigned from my position as National Marketing Director for Freedom Foreclosure Prevention Services, LLC (FFPS) in Mesa, Arizona and have cancelled my LMC account.

Until recently, I have been marketing a program that I believed in. After some very alarming information was shared with me by acting COO Mr. John Watts, it is my feeling that I can no longer put my name on any of the FFPS Programs or Products.

During the past few weeks at FFPS, Mr. Watts had made numerous attempts to correct some serious operational issues that were needed for him to remain at FFPS.

It is my opinion only, that the CEO has chosen to stall or divert any attempts to implement the changes necessary to conduct an ethical and productive business.

For this and several other issues pertaining to the operation of FFPS, I have come to the conclusion I no longer believe in the LMC Program and have become unclear as to the true mission of FFPS.

Furthermore, I have issued a demand to FFPS to immediately remove all of my recordings, presentations and trainings that were produced by my software. On advice from legal counsel, this is my intellectual property, and since I was never an employee of FFPS and was not compensated for the software or my time to produce those recordings, they remain my property.

I realize this may cause some issues for the consultants until they replace those movies and modules and for that I apologize.

I have moved on to other projects and truly enjoyed making acquaintances with a lot of you.

Best of luck to you all,

Lee Smith  
602-490-0000

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Lee Smith  
Former Independent Contractor of FFPS

Forward email

7/26/2008



**RE: Resignation of Lee Smith as FFPS National Marketing Director** Saturday, July 26, 2008 3:14 PM

**From:** "Jeanne Breault" <[redacted]@comcast.net>

**To:** leeffps@yahoo.com, "Lee Smith" <bigtavelbigfgun@ytb-travel-network.ccsend.com>

Several minutes ago I sent you an email in response to the email you forwarded from John Watts; I hadn't even received this one yet! Although I did notice you signed the earlier email *Former Independent Contractor of FFPS*.

I'm not surprised at either your or John Watts' resignation. Although we've never met or spoken to each other, I had a good feeling about you...not so much about Jeff Segal. I appreciate and admire that you took the time to communicate with the consultants regarding your separation from the company.

I'm planning to end my ties with FFPS as well, based on the IM chat I had with Jeff (in my previous email to you) and the resignation of you and John Watts. If I was uncomfortable after the IM chat with Jeff, I am doubly so now! Actually, I couldn't believe he actually put some of those comments in writing! (It appears to me he doesn't have much of a corporate senior management background – in addition to not speaking to the press unless you're cleared by the corporate PR person, one of the cardinal rules is being careful what you put in writing!!!)

Beyond sending an email to Jeff, do you have any ideas on how I should make sure my relationship with FFPS is completely extinguished?

Thanks again!

Jeanne Breault, REALTOR®  
Vanguard Realty Inc./GMAC  
225 Third Street  
Neptune Bch, FL 32266  
(904) 591-8520  
(904) 212-1096 fax  
[redacted]@comcast.net  
[atlanticbeachrealestate.blogspot.com](http://atlanticbeachrealestate.blogspot.com)

You have to expect things of yourself before you can do them. Michael Jordan (1963-), American Basketball Player, Actor

---

**From:** Lee Smith [mailto:bigtavelbigfgun@ytb-travel-network.ccsend.com] **On Behalf Of** Lee Smith  
**Sent:** Saturday, July 26, 2008 5:30 PM  
**To:** [redacted]@comcast.net  
**Subject:** Resignation of Lee Smith as FFPS National Marketing Director

**Dear Jeanne,**

Please read this entire letter as it is very important information. After consulting with legal counsel, I have sent this in hopes that you will understand my position and forgive me for any inconvenience or issues this may cause.





**Re: Resignation of Lee Smith as FFPS National Marketing Director**

Monday, July 28, 2008 3:16 PM

**From:** [redacted]@aol.com\* <[redacted]@aol.com>

**To:** leeffps@yahoo.com

Dear Mr. Smith,

I just started as a Certified Loss Mitigation Consultant this past March, but have yet to have any applications approved. I feel that I have just given 1450.00 of my hard earned money to just have a title. I can't afford to purchase any leads, but I have had some relatives and friends go thru me to fill out applications and send them onto FFPS for approval, but are shot down with in an hour of sending them and when I called one woman transferred me to another and she was rude to me. I want to continue to try at least get a couple of my applications approved to make back what I put into this company to become a consultant. I have a friend who recruited me and he hasn't had any applications approved either, he has been making his money by recruiting consultants, and I will not do that because I feel as if I am giving out false information.

Please enlighten me if you can and if you can't say anything, I will understand. Best of luck to you.

Thank you,  
Jean Olson

Get fantasy football with free live scoring. [Sign up for FanHouse Fantasy Football today.](#)



**Re: Resignation as FFPS acting Chief Operating Officer**

Wednesday, August 6, 2008 6:37 PM

**From:** "Nick Kareo" [redacted]@yahoo.com>

**To:** leeffps@yahoo.com

I have had it with FFPS.....I am looking to sue them.....contact me.....

----- Original Message -----

**From:** Lee Smith <leeffps@yahoo.com>

**To:** [redacted]@yahoo.com

**Sent:** Saturday, July 26, 2008 1:15:57 PM

**Subject:** Resignation as FFPS acting Chief Operating Officer



**RE: Resignation of Lee Smith as FFPS National Marketing Director**

Tuesday, July 29, 2008 8:58 AM

From: "Sandy Orm" <[REDACTED]@hotmail.com>

To: leeffps@yahoo.com

I have left several messages, can't seem to get ahold of you. My number is 504-218-4046 is you would like to give me a call. Like I said on your voice mail, the Joint Venture program was mine, I was suppose to get paid for all the work, didn't get a dime, but he sure has! He has done this to SEVERAL people over the past few years.

Take care wish you the best.

Sandra Orm

---

Date: Sat, 26 Jul 2008 17:30:36 -0400

From: leeffps@yahoo.com

To: [REDACTED]@hotmail.com

Subject: Resignation of Lee Smith as FFPS National Marketing Director



Re: Resignation of Lee Smith as FFPS National Marketing Director

Saturday, July 26, 2008 3:44 PM

From: "Daniel Velasquez" [redacted]@ymail.com>

To: leeffps@yahoo.com

Hello Lee,

I noticed many wrong things at the beginning of my relationship with FFPS, I even wanted to take things to the next level after talking to Jeff and went ahead and got a whole office space to operate from there since a became a JV Manager Consultant. I was in time to stop a few consultants from signing up. I am almost sure that I lost my mony to FFPS but what is more important to me is my career and my ethics.

Does it make sense to attempt to get my money back? the contracts dont allow me to opeate with a different company but i don't see as something fair to me. I have to start my operations but i don't want to be part of FFPS anymore. any suggestions?

Daniel Velasquez

Foreclosures are at a 30 Year High

Are You One of the Affected Home Owners? We Can Help!

<http://www.savinghomesfirst.com>

Phone: 909-767-3468

----- Original Message -----

From: Lee Smith <leeffps@yahoo.com>

To: [redacted]@ymail.com

Sent: Saturday, July 26, 2008 2:31:04 PM

Subject: Resignation of Lee Smith as FFPS National Marketing Director

2 OFFICES

8-10 PEOPLE UNDER HIM

6 CASES LAST WEEK

TOWNS 9-2 LEAN 4M

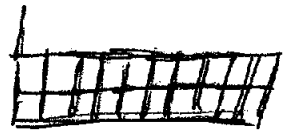
PL

460-889-6603  
460-889-6584

3 MONTHS

\$425<sup>00</sup>

~~49500~~



247,500

1-514-323-75055

← PERS ROUBER

~~602-373-0109~~

248-765-3356 MARTIN

856-358-1111 AIDOO SAMURIS

5 LEADS



@YAHOO.COM

INFO SENT 8/14



**I need your help**

Sunday, July 20, 2008 9:45 PM

**From:** [redacted]@cox.net" [redacted]@cox.net>

**To:** "lee@freedomforeclosure.com" <lee@freedomforeclosure.com>, "leeffps@yahoo.com" <leeffps@yahoo.com>

Lee,

I need some help here, I don't know what is going on with the system at ffps, but it took the girls almost an hour to find the case that you moved over to me on Friday, and Jennifers name still does not show as a lead partner.

I am going to Ontario , Ca Monday morning to present the Lead Partner Program to 15 people that are working for another Credit Management Company, and most of these guys are wanting to sign up. The problem is these people are not showing up in my back office when they sign up.

I had 2 realtors at my church back off from trying to signup because of all the problems we were having with the website, and I lost those 2, I don't want to risk all the effort I am making doing this presentation in Ca , so how do we resolve thjis, I am making a huge effort to get this going for myself, and I could use a little help.

I have my cell with me, the last person I spoke to on Friday said she was having the web tech person look into the problem and I would get a call back, and well nobody called back, so please can you get this resolved or help me get this resolved, I don't need anything falling through the cracks in the system.

Thanks,

Jim Rohner



confidence eroding

Monday, June 30, 2008 10:47 AM

From: "Patrick Moriarty" [redacted]@live.com>

To: leeffps@yahoo.com

Hi Lee.

I have some real concerns about the lead capturing sites and help from the webmaster.

#1- I have @ 14 leads in my ffpsmovie site. Was not alerted by email on any.

#2- I have @ 119 leads in my 10kpermonth site, all thru the same site yet only @49 can be seen in my autoresponder. All 119 came in the same way.

#3- Your live webinar reports have shown less than half of the registrants on my lists and the last one showed 2 that I never heard of.

#4- I have talked to some that have seen the live webs yet they are not on reports.

Responses by webmaster always seem to place the blame on ignorance on my part. My service ticket sent a week ago about my autoresponder has not been answered except to say it has been sent to programmers. I do not expect a solution at this point.

This all makes me hesitant to recruit.

Sincerely,  
Patrick Moriarty

Do more with your photos with Windows Live Photo Gallery. [Get Windows Live-Free](#)



**Re: Resignation of Lee Smith as FFPS National Marketing Director**

Friday, August 1, 2008 8:20 PM

**From:** "Jacquelyn Worthy" <[REDACTED]@cs.com>

**To:** leeffps@yahoo.com, bigtavelbiggun@ytb-travel-network.ccsend.com

Lee,

Thank you so much for exhibiting the courage required to take a stand for what is right. I must admit that very shortly after signing up with FFPS, I became very disenfranchised with the operations of the company. Even as we speak, I am receiving letters from a collection agency because I refuse to lose another \$750. Do you know if I have any recourse in that matter?

I certainly don't know the specifics behind your decision, but I wish you nothing but the best, and if you decide to venture out on your own, running an ethical organization, I'd be willing to learn more about it.

Again, I thank you for being a man of integrity and I hope to hear from you again soon.

Jacqui

Lee Smith wrote:





**District Attorney, and Attorney General**

Sunday, August 3, 2008 6:48 AM

**From:** "Sandy Orm" <[REDACTED]@hotmail.com>

**To:** leeffps@yahoo.com

Lee just to let you know, I am filing a complaint with the District Attorneys office and the Attorney General's office in regards to Jeff Segal and FFPS.

Talk to you later,

Sandy Orm

Got Game? Win Prizes in the Windows Live Hotmail Mobile Summer Games Trivia Contest [Find out how.](#)

---



**RE: Resignation as FFPS acting Chief Operating Officer**

Tuesday, August 5, 2008 8:52 AM

**From:** "Robert Charland" [redacted]@Property4Purchase.com>

**To:** leeffps@yahoo.com

My wife and I joined FFPS last month and have been studying to get certified. We have not brought any client to FFPS yet, we wanted to be sure we know what to do. Can we get assistance from FFPS to assist clients when needed? I'm asking because \$1500 to join was a lot of money to us and now after getting certified we need to pay for the advertisement.

Thank You

Robert & Kim Charland

Phone [redacted]

Cell Phone [redacted]

---

**From:** Lee Smith [mailto:bigtavelbigfgun@ytb-travel-network.ccsend.com] **On Behalf Of** Lee Smith

**Sent:** Saturday, July 26, 2008 4:16 PM

**To:** [redacted]@nycap.rr.com

**Subject:** Resignation as FFPS acting Chief Operating Officer

**Dear Robert,**

Please read this entire letter as it is very important information. After consulting with legal counsel, I have sent this at the request of Mr. John Watts.

To Whom This May Concern:

Monday July 21st 2008 I resigned from my position as acting COO for Freedom Foreclosure Prevention Services, LLC (FFPS) in Mesa, Arizona . My very short tenure (six weeks) produced some findings within the operation of FFPS that have caused me alarm. After diligent effort and recommending several operational changes I was confronted with the realization that, in my opinion only, the CEO does not wish to operate FFPS within my ethical and professional parameters.

If you wish to talk with me regarding my resignation please feel free to call. I will not expound upon any findings within the operation of FFPS or give any information that is unsubstantiated. However, I am available to detail the timeline and circumstances that led to my decision to resign; the decision to send this email was made with advice from legal counsel and is an attempt to dispel any libelous rumor or innuendo.

Good Luck in all future endeavors,

John P Watts



**RE: Resignation of Lee Smith as FFPS National Marketing Director**

Friday, August 1, 2008 9:25 AM

**From:** "bobbyd" <[REDACTED]@[REDACTED].com>  
**To:** leeffps@yahoo.com

Dear Lee,

I am interested in being informed about your findings of problems within FFPS. Please keep me posted.

Thank you

Bobby Bailey  
Bobby Bailey Inc.  
[REDACTED]@[REDACTED].com

-----Original Message-----

**From:** Lee Smith [mailto:bigtavelbigfgun@ytb-travel-network.ccsend.com] **On Behalf Of** Lee Smith  
**Sent:** Saturday, July 26, 2008 4:31 PM  
**To:** [REDACTED]@[REDACTED].com  
**Subject:** Resignation of Lee Smith as FFPS National Marketing Director

**Dear Bobby,**

Please read this entire letter as it is very important information. After consulting with legal counsel, I have sent this in hopes that you will understand my position and forgive me for any inconvenience or issues this may cause.

To all the Wonderful Consultants and Professionals I have met,

Monday July 21st 2008 I resigned from my position as National Marketing Director for Freedom Foreclosure Prevention Services, LLC (FFPS) in Mesa, Arizona and have cancelled my LMC account.

Until recently, I have been marketing a program that I believed in. After some very alarming information was shared with me by acting COO Mr. John Watts, it is my feeling that I can no longer put my name on any of the FFPS Programs or Products.

During the past few weeks at FFPS, Mr. Watts had made numerous attempts to correct some serious operational issues that were needed for him to remain at FFPS.

It is my opinion only, that the CEO has chosen to stall or divert any attempts to implement the changes necessary to conduct an ethical and productive business.

For this and several other issues pertaining to the operation of FFPS, I have come to the conclusion I no longer believe in the LMC Program and have become unclear as to



Re: Resignation of Lee Smith as FFPS National Marketing Director  
From: "LAURA BREUER" <[REDACTED]@yahoo.com>  
To: leeffps@yahoo.com

Tuesday, July 29, 2008 1:59 PM

Hello,

I am a LMC with FFPS and I got your emails on Sat and would like to talk to you about what is going on. I have spent a lot of time and \$ in this venture and I need to know if it is all in vain. I feel like I cant make any more calls or persue this any more with out knowing. I dont want to be a part of something that is not run right. Please call or email me.

Thank you  
Laura

— Lee Smith <leeffps@yahoo.com> wrote:

>

>

> Dear Laura,

> Please read this entire letter as it is very

> important information. After consulting

> with legal counsel, I have sent this in hopes that

> you will understand my position

> and forgive me for any inconvenience or issues this

> may cause.

>

>

>

> To all the Wonderful Consultants and Professionals I

> have met,

> Monday July 21st 2008 I resigned from my position

> as National Marketing Director for Freedom

> Foreclosure Prevention Services, LLC

> (FFPS) in

> Mesa, Arizona and have cancelled my LMC account.

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> For this and several other issues pertaining to the

> operation of FFPS, I have come

> to the conclusion I no longer believe in the LMC

> Program and have become unclear

> as to the true mission of FFPS.

> Furthermore, I have issued a demand to FFPS to

> immediately remove all of my recordings,

> presentations and trainings that were produced by my

> software. On advice from legal

> counsel, this is my intellectual property, and since

> I was never an employee of

> FFPS and was not compensated for the software or my

> time to produce those recordings,

> they remain my property.

> I realize this may cause some issues for the

> consultants until they replace those

> movies and modules and for that I apologize.

> I have moved on to other projects and truly enjoyed

> making acquaintances with a

> lot of you.

> Best of luck to you all,



**Resignation**

Tuesday, July 29, 2008 12:18 PM

**From:** "Bill Knight" <[REDACTED]@gmail.com>

**To:** "Lee Smith" <leeffps@yahoo.com>

Thank you for putting me on your list. I am just beginning with FFPS and now have doubts as whether I should I continue or take my business to another loss mitigation company. Please help understand a little better. Thanks.

Bill Knight

[REDACTED]@gmail.com

- office

- cell



**Re: Resignation as FFPS acting Chief Operating Officer**

Tuesday, July 29, 2008 7:34 AM

**From:** "Bobby Sherwood" <bobsherwood@██████████>

**To:** leeffps@yahoo.com

Lee,

Again, I'm sorry for call you so early! And again! Thank you SO MUCH for taking the time to explain the situation. I can be contacted at ██████████ or [bobsherwood@██████████](mailto:bobsherwood@██████████)

Bob Sherwood

— Original Message —

**From:** Lee Smith

**To:** bobsherwood@██████████

**Sent:** Saturday, July 26, 2008 4:15 PM

**Subject:** Resignation as FFPS acting Chief Operating Officer



Re: Resignation of Lee Smith as FFPS National Marketing Director

Monday, July 28, 2008

From: "Vera Printz" <[redacted]@yahoo.com>  
To: leeffps@yahoo.com

Dear Lee:

I found your email very interesting, and probably answered my feelings that things are not exactly right at FFPS. After months of not getting answers to my m emails, I gave up, and felt that all the company was only interested in building a MLM with their new JV programs. That is only part of my reason for stopping to market their program.

Thank you.

Vera Printz

[redacted] Cell  
[redacted] Fax

On 7/26/08 2:30 PM, "Lee Smith" <leeffps@yahoo.com> wrote:

Dear Vera,

Please read this entire letter as it is very important information. After consulting with legal counsel, I have sent this in hopes that you will understand my position and forgive me for any inconvenience or issues this may cause.

To all the Wonderful Consultants and Professionals I have met,

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Best of luck to you all,

Lee Smith  
602-490-0000

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Lee Smith

Former Independent Contractor of FFPS

Forward email <<http://ui.constantcontact.com/ea/forward.jsp?m=1101590900405&ea=veraprintz%40yahoo.com&a=1102185444667>>  
<<http://visitor.constantcontact.com/d.jsp?v=001-C0KnEtb87fTy-kGStm6voCzAqBQkGkUhSIZPIboqxMBzNfm5DSPitx1qMuT2EQ2XzqFIMGovNw%3D&p=un>> This email was sent veraprintz@yahoo.com by leeffps@yahoo.com.

Update Profile/Email Address  
<<http://visitor.constantcontact.com/d.jsp?v=001-C0KnEtb87fTy-kGStm6voCzAqBQkGkUhSIZPIboqxMBzNfm5DSPitx1qMuT2EQ2XzqFIMGovNw%3D&p=un>>  
| Instant removal with SafeUnsubscribe

<<http://visitor.constantcontact.com/d.jsp?v=001-C0KnEtb87fTy-kGStm6voCzAqBQkGkUhSIZPIboqxMBzNfm5DSPitx1qMuT2EQ2XzqFIMGovNw%3D&p=un>>  
| Privacy Policy <<http://ui.constantcontact.com/roving/CCPrivacyPolicy.jsp>>

Email Marketing <[http://www.constantcontact.com/index.jsp?cc=TEM\\_BusLet\\_003](http://www.constantcontact.com/index.jsp?cc=TEM_BusLet_003)> by  
<[http://www.constantcontact.com/index.jsp?cc=TEM\\_BusLet\\_003](http://www.constantcontact.com/index.jsp?cc=TEM_BusLet_003)>

Lee Smith | [redacted] | Goodyear | AZ | 85338



**Re: Resignation of Lee Smith as FFPS National Marketing Director**

Monday, July 28, 2008 10:49 AM

**From:** "Kris from FFPS" <[REDACTED]@yahoo.com>  
**To:** leeffps@yahoo.com

Hello Lee,

I am with FFPS soon will be 2 years. At certainly point I was doing this full time 'till some issues become very unclear and I decided to do this part time.

To tell you the true I am not surprised what is happening. I am positive many consultants quited long time ago. I had several conversation with Jeff and Judd. In general Judd have agreed with me in a past on all of those issues.

I hope that sooner than later I can have all those information regarding unethical practice within this company what you have and forced you to make this decision.

I spent to much money and time to just leave this subject go away.

Please, at your earliest convenience let me know what is happening there and if we as a consultant can do anything to stop this situation repeats itself.

Regards

---

Kris Cieslinski  
Certified Loss Mitigation Consultant

Phone: [REDACTED]  
E-mail: [REDACTED]@yahoo.com

[www.HelpAndGain.com](http://www.HelpAndGain.com)  
[www.Ethical-Foreclosure-Solutions.com](http://www.Ethical-Foreclosure-Solutions.com)

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— On Sat, 7/26/08, Lee Smith <leeffps@yahoo.com> wrote:

From: Lee Smith <leeffps@yahoo.com>  
Subject: Resignation of Lee Smith as FFPS National Marketing Director  
To: [REDACTED]@yahoo.com  
Date: Saturday, July 26, 2008, 5:30 PM





**Re: Resignation as FFPS acting Chief Operating Officer**

Monday, July 28, 2008 9:01 AM

**From:** "Carol Lindemann" <[REDACTED]@bellsouth.net>

**To:** leeffps@yahoo.com

*I would like to know how I can get my initial fee back from them. They have never been able to help us with any deal and my \$1500.00 was just a way for them to profit.*

— Original Message —

**From:** Lee Smith

**To:** [REDACTED]@bellsouth.net

**Sent:** Saturday, July 26, 2008 4:16 PM

**Subject:** Resignation as FFPS acting Chief Operating Officer



Re: Resignation of Lee Smith as FFPS National Marketing Director

Monday

From: "donna atwater" <donna@cfreedomforeclosure.com>

To: leeffps@yahoo.com

23.jpg (26KB)

Hey Lee,

Long time no talk!! I was floored when I got your resignation letter along with Mr. Watts. Please call me at your convenience. I would really like to discuss this with you as I have been standing on the sidelines for some time not going on internally. Obviously it caused concern or I wouldn't have gone from full speed to zero MPH! Please give Thanks a ton and I hope all is well with you!!

*Donna L. Atwater*

American Loss Mitigation Services, Senior Loss Mitigator

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☎ 888-719-0789

—Original Message—

**From:** Lee Smith

**Date:** 7/26/2008 5:31:06 PM

**To:** donna@cfreedomforeclosure.com

**Subject:** Resignation of Lee Smith as FFPS National Marketing Director



**Re: Resignation as FFPS acting Chief Operating Officer**

Sunday, July 27, 2008 7:45 PM

**From:** "Brenda Bearden" [redacted]@hughes.net>

**To:** leeffps@yahoo.com

Hi Lee

I am surprised at the news that you have left ffps. But I was very excited at first to be a part of ffps.

Then as things

went along I decided that the most important thing in ffps was to recruit others not to help people in foreclosure.

Is that the same reason you left?? I am very curious to know.

Thanks

Brenda Bearden

— Original Message —

**From:** Lee Smith

**To:** [redacted]@hughes.net

**Sent:** Saturday, July 26, 2008 4:15 PM

**Subject:** Resignation as FFPS acting Chief Operating Officer



**RE: Resignation of Lee Smith as FFPS National Marketing Director**

Sunday, July 27, 2008 5:45 PM

**From:** "Ron Brown" [redacted]@onebox.com>

**To:** leeffps@yahoo.com

would it be a problem to share that experiance with me this is the second time in the history of my membership that someone in ffps has alledged that something is not right i personally do not want to be involved with a company that lacks intergirty hoping to hear from you ron brown

—  
Ronald Brown

[redacted]@onebox.com - email

[redacted] - voicemail/fax

—Original Message—

**From:** Lee Smith

**Sent:** Sat, 26 Jul 2008 17:30:39 -0400 (EDT)

**To:** [redacted]@onebox.com

**Subject:** Resignation of Lee Smith as FFPS National Marketing Director



**your decision to resign from FFPS**

Sunday, July 27, 2008 3:16 PM

**From:** "John Falto" <[redacted]@4cashesolutions.com>  
**To:** "Lee Smith" <leeffps@yahoo.com>

Dear Mr. Smith

I am a "certified" LMC with FFPS and I read (and re-read) your recent email regarding your decision to resign your position. While you allude to your reasons for doing so, and you have every right to your own decisions, I was a bit concerned when you mentioned that FFPS may not be following it's original mission statement. As for myself, I joined FFPS about a year ago and only submitted a few cases. Only one went all the way through and it took months (and follow up for months) to finally get paid. After this and seeing two cases that could have been saved, but were turned down, I became concerned and opted not to directly endorse the service. Being a Realtor and licensed mortgage planner, many of the FFPS services I could already do on my own. My original interest was the "power" behind the company and the network described in the first contact with FFPS.

After reading your email, I did some of my own research but found nothing new, with regard to FFPS.

The bottom line is that if you are free to do so, I would like to know more about what alarmed you with regard to comments by Mr. Watson. If your legal counsel believes that this information is not appropriate for you to divulge, then I fully understand and wish you well.

If on the other hand, you wish to enlighten a fellow consultant, then I would appreciate whatever information or direction you could impart.

Sincerely,

John Falto, CCCC, CMA, CTP, REI, CLMC  
Financial Planner, Licensed Realtor, Mortgage Broker and Trainer  
"making the money possible"

For answers to your financial questions [CLICK HERE](#)

To look for properties in Central Florida , [CLICK HERE](#)

Office phone (407) 854-4718  
Office fax (407) 557-3410  
AOL/Yahoo instant messenger screen name: johnfalto

Mailing address  
John Falto  
3956 Town Center Blvd. , Suite 541  
Orlando , FL 32837



**Re: Resignation as FFPS acting Chief Operating Officer**

Saturday, July 26, 2008 11:22 PM

**From:** "Linda Ames" <[REDACTED]@comcast.net>

**To:** leeffps@yahoo.com

Thanks for informing us Lee. The only reason I even did this was to help people from loosing their homes. I spent around \$1,500 to get on board and also spent money doing presentations at all my brokers seeings I was a rep for 10+ years with New Century. I picked up over 15 files in just a very short amount of time. Melinda Hatcher was my partner and did the paper work on the files. We worked very hard to not get anywhere on all 15+ files. I feel we've been scammed just for the money. We paid to help which I'm now finding out there are companies that do the same thing and you don't pay a dime. Is there anyway we can do something to get our wasted money back. I would sure appreciate it and could really use it. Thanks for your time.

Linda Ames  
[REDACTED]

— Original Message —

**From:** Lee Smith

**To:** [REDACTED]@comcast.net

**Sent:** Saturday, July 26, 2008 1:16 PM

**Subject:** Resignation as FFPS acting Chief Operating Officer



**Re: Resignation as FFPS acting Chief Operating Officer**

Saturday, July 26, 2008 2:03 PM

**From:** "Michael Workman" <ffpsnh@comcast.net>

**To:** leeffps@yahoo.com

**Cc:** jpwatts  
faint\_grain.jpg (1KB)

Good Afternoon LEE,

Thank you for sending out the resignation letter for John.

More importantly though is the fact that you are sending it out to all whole data base of FFPS.

Congratulation you just won a law suit, defamation of character, non-compliance with a cease and desist request, and I will find 5 more in the next 36 hours.

Guess your call to Joan Dunkle after my request for you not to was a good idea as well.

I personally will take of this matter,

MICHAEL R. WORKMAN VP  
FFPS

-----Original Message-----

**From:** Lee Smith

**Date:** 7/26/2008 4:16:02 PM

**To:** ffpsnh@comcast.net

**Subject:** Resignation as FFPS acting Chief Operating Officer



**CEASE AND DESIST IMMEDIATELY**

Saturday, July 26, 2008 6:07 PM

**From:** "Jeff Segal" <jeff@ffps.phxcoxmail.com>  
**To:** "Lee Smith" <leeffps@yahoo.com>  
**Cc:** "John" <jpwatts@██████████>  
jeff72x82.jpg (6KB), FFPS-184x85.jpg (21KB)

07/26/08 6:04 pm

TO: MR. LEE SMITH,

**YOU ARE HEREBY NOTIFIED TO:**

- 1) **CEASE AND DESIST** using FFPS National Marketing Director title in all your correspondence immediately. You are impersonating an officer of the company. **ESPECIALLY YOUR FROM ADDRESS.**
- 2) **CEASE AND DESIST** using FFPS Corporate property (Consultant database) for your private emails. This is an **UNAUTHORIZED** and will be deemed theft of corporate property and defamation.
- 3) **CEASE AND DESIST** sending FFPS EMPLOYEES any correspondence.

Have a nice day!

Jeff Segal  
President / CEO

**Jeff Segal**



President / CEO  
Freedom Foreclosure Prevention Services  
Career Training as a Loss Mitigation Consultant  
Website: <http://www.freedomforeclosure.net/jeff>  
Email: [jeff@freedomforeclosure.com](mailto:jeff@freedomforeclosure.com)  
Phone: 480-839-9900 x 102



**"Saving Homes Across America"**





**FW: FFPS Consultants Terminated.... Read Asap for Official Update 07.27.08**

Monday, July 28, 2008 6:01 AM

**From:** "june11@bellsouth.net" <june11@bellsouth.net>

**To:** leeffps@yahoo.com

----- Forwarded Message: -----

**From:** "FFPS Update" <jeff@ffps.phxcoxmail.com>

**To:** <june11[REDACTED]>

**Subject:** FFPS Consultants Terminated.... Read Asap for Official Update 07.27.08

**Date:** Mon, 28 Jul 2008 05:53:35 +0000

To all Consultants and JVM Partners,

Over the weekend many of you may have received emails from one or two former disgruntled consultants. Lee Smith and John Watts

were terminated as Independent Contractors of FFPS on July 21<sup>st</sup> as the result of an internal investigation.

Both individuals confirmed

their termination by their resignation letters that were received on the 24<sup>th</sup> of July by e-mail.

Our attorney's and the authorities are resolving these unfounded claims and allegations. Nothing alluded to in those e-mails is remotely

accurate. We will release more information as soon as our attorney's thinks it is appropriate.

Everything is business as usual here at FFPS. As a matter of fact, effective today (Monday) we have expanded our loss mitigation

department capabilities to be able to double our case volume. This will allow the consultants and JVM's to continue to grow their

business and help homeowners in the most efficient manner.

We would like to thank the hundreds of you that have called or emailed our office from across the country in support of FFPS.

As always, we look forward to working with each of you.

Sincerely

Jeff Segal, CEO / Michael Workman, VP  
Freedom Foreclosure Prevention Services L.L.C.

THE LAW OFFICES OF  
DONALD W. HILDSBETH, P.C.

A PROFESSIONAL CORPORATION

*"The Business of our Firm is Business"*

**Via Certified Mail Return Receipt Requested and U.S. Mail**

August 8, 2008

Lee M. Smith  
[REDACTED]

Goodyear, AZ 85338

***Re: Freedom Foreclosure Prevention Services***

Dear Mr. Smith:

Our law firm represents Freedom Foreclosure Prevention Services Company ("FFPS"). Recently, our client discovered that you made false and defamatory statements about its business to some of its business partners and employees. You made representations that: FFPS is falling apart; there are numerous lawsuits against FFPS; FFPS is broke and no one had or would be paid going forward; and, employees should remove any money they have invested with FFPS. These statements convey a meaning that is clearly defamatory and injurious to our client's business relationships. Additionally, your use of FFPS trade secrets, FFPS consultant database to send email blasts to current FFPS independent contractors, and derogatory and defamatory email messages to FFPS employees at their FFPS email accounts is actionable under Arizona law.

On July 21, 2008, FFPS terminated you as an independent consultant. Shortly thereafter, on July 26, 2008, you sent out two (2) email messages to FFPS employees and independent contractors. The first email on that day, time stamped 1:16 pm (see attached Exhibit A) with a subject heading: resignation as FFPS acting Chief Operating Officer, from you, with Mr. Watts as signatory stated that Mr. John Watts resigned from the above-referenced position. According to that email your legal counsel advised you to send an unauthorized email to FFPS employees and independent contractors. In a second email, time stamped 2:31 pm (see attached Exhibit B), you imply that FFPS is unethical and an unproductive business. Additionally, you informed the recipients that you "have issued a demand to FFPS to immediately remove all of my recordings, presentations and trainings that were produced by my software. On advice from legal counsel, this is my intellectual property, and since I was never an employee of FFPS and was not compensated for the software or my time to produce those recordings, they remain my property."

At the bottom of both emails, there is a message from you providing legal advice, which constitutes the unauthorized practice of law in Arizona. To our knowledge neither you nor Mr. Watt are attorneys, therefore, it is unlawful to give legal advice to others. We will let the State Bar of Arizona, Division of Unauthorized Practice of Law address that matter with you directly.

Mr. Lee Smith  
August 8, 2008  
Page 2

On July 26, 2008, Mr. Michael R. Workman, FFPS's Vice President sent you a letter in response to your email. In that letter, he informed you that he was in the process of removing your name, voice, and any reference to you or by you from any corporate material as quickly as possible. His decision to do so was not because you owned any intellectual property rights in the material, but simply because the company was replacing old material with new material that would better assist independent contractors.

As you are well aware, you do not have any intellectual property rights in any material marketed, produced, distributed, or used by FFPS. According to Article 4, of FFPS Policies and Procedures, the section entitled "Trademark, Literature and Advertising" it clearly states that "[o]nly FFPS is authorized to produce and market literature under its trademarks. Additionally, under Article 5, of the Independent Contractor Agreement, it clearly states that all intellectual property is owned by FFPS. As an independent contractor, which you readily admit you were (please refer to your email dated 7/26/2008 to employees stating that "since I was never an employee of FFPS."), you have contractually agreed that FFPS owns the rights to all the intellectual property.

Your email further mentioned that you produced the materials with your software. At no time during your consultant arrangement with FFPS did you mention you used your own proprietary software to create any materials. If we are mistaken, please submit that documentation to us, including a copy of the copyright registration for your proprietary software.

Also on July 26, 2008, Mr. Jeff Segal sent you an email demanding that you: (1) cease and desist using FFPS National Marketing Director title in all your correspondence immediately. You are impersonating an officer of the company. Especially from your address (email address); (2) cease and desist using FFPS Corporate property (Consultant database) for your private emails. This is an unauthorized use and will be deemed theft of corporate property and defamation; and to (3) cease and desist sending FFPS employees any correspondence.

For the record, we are aware that you and Mr. John Watts are encouraging independent associates to file baseless claims with the Arizona Attorney General. We plan on sending your correspondence to the Attorney General Office's to advise them of your scheme to further your own personal goals of revenge, which is a violation of Arizona law. See A.R.S. § 13-2907.01.

Your recent attempts to destroy our client's business by making defamatory statements to its employees and other independent consultants will not go unchallenged because it is against the law. Under Arizona law, your conduct may constitute defamation, in addition to interference with our client's business relationships and a host of other actionable claims that may well lead to damages in excess of \$500,000.

To that end, this letter is to demand that you cease and desist your tortious and actionable conduct. If you fail to cease and desist with your actionable conduct, I will advise my client on the legal recourse it should take against you. Listed below are a few of the claims our client may have against you.

Mr. Lee Smith  
August 8, 2008  
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### Defamation

Generally speaking, defamation is the issuance of a false statement about another person, which causes that person to suffer harm. Slander, a form of defamation, involves the making of defamatory statements, usually an oral (spoken) representation, while libel, another form of defamation, involves the making of defamatory statements in a printed or fixed medium. Restatement (Second) Torts § 558 (adopted in Arizona). Here, because the statement is about a company, the tort is commercial disparagement. A defamation action can compensate the damage to reputation or the good name caused by the publication of false information that brings the defamed person into disrepute, contempt, ridicule, or impeaches the integrity of the defamed individual's honesty, integrity, virtue or reputation. *Godbehere v. Phoenix Newspaper, Inc.* 162 Ariz. 335, 341, 783 P.2d 781, 787 (Ariz. 1989).

Defamation is a tort upon which damages may be awarded. Where the action is malicious (i.e. deliberately untrue or in reckless disregard), damages can be presumed and punitive damages may also be awarded. If you know anything about FFPS's history, you know it would never go out of business except by choice. Thus, you made the statements with knowledge that contradicted your statements. Therefore, damages, including punitive damages may be awarded.

### Interference with Business Expectancy

You could also be liable for intentional interference with business relations. My client can establish a case for tortious interference and will show: (1) the existence of a valid contractual relationship or business expectancy; (2) the interferer's knowledge of the relationship or expectancy; (3) intentional interference inducing or causing a breach or termination of the relationship or expectancy; and (4) the resultant damage to the party whose relationship or expectancy has been disrupted. The interference must be improper as to motive or means, which is the case here. It is indisputable you have interfered with our client's business and there is substantial documentation to prove it.

Both defamation and tortious interference with contract are torts upon which punitive damages may be awarded. And, legal fees may equal or exceed the damages awarded. Thus, you face the prospect of spending substantial sums of money to defend a statement which you knew was false and should have not said in the first place.

### Trade name and Trademark Infringement

FFPS has been using the trade name and trademark FFPS since October 2003. As a former FFPS independent contractor you were well aware of that fact. Yet, still, you choose to appropriate the usage of their trade name and trademark for your financial gain by creating a false designation, which is in violation of federal law.

Mr. Lee Smith  
August 8, 2008  
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Your adoption of the "FFPS" trade name in your yahoo email account and with other vendors, constitutes a false designation of origin under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). That section provides in relevant part:

Any person who shall . . . use in connection with any goods and services . . . any false description or representation, including any words or symbols tending to falsely describe or represent the same. . . shall be liable to a civil action by any person. . . who believes that he is or likely to be damaged by the use of any such false description or representation.

Your use of FFPS trade name is done to confuse and deceive the public by the similarity of the marks, which is creating a likelihood of confusion in the marketplace. You were terminated by FFPS, then subsequently resigned, and are now using its corporate name and trade name with its business partners to benefit from its reputation in the marketplace.

Your use of "FFPS" also violates FFPS trademark rights. Simply put, trademark infringement occurs when a company or person uses the trademark of another company. 15 U.S.C. § 1114-27.

Anyone who uses a mark with actual or constructive notice that the mark is owned by someone else is a willful infringer. That means you. Willful infringers are generally liable for the harm their infringement causes to the mark's rightful owner. Although willfulness is not a requirement to receive an accounting of the infringer's profits, it is generally an element in the court's determination and may lead to my client's collecting an award of triple damages if the infringement was flagrantly willful.

A court could easily find that you willfully infringed. First, you were an independent consultant with FFPS, so you had knowledge of the company and its marks. After your termination, you breached your agreement with FFPS and began using its trademark and trade name without any express authorization from my clients.

#### Unfair Competition

Moreover, it is a violation of Arizona law to use confidential information to solicit customers, including other independent contractors and FFPS business partners, to steal a company's trade secrets, to make false claims about a business, and to falsely represent yourself as a member of FFPS. *See Taylor v. Quebedeaux*, 126 Ariz. 515, 617 P.2d 23 (1980).

#### Misappropriation

Under Arizona law, misappropriation means either: (a) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; (b) disclosure or use of a trade secret of another without express or implied consent by a person who either: (i) used improper means to acquire knowledge of the trade secret; (ii) at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was derived from or through a person who had utilized improper means to acquire it,

Mr. Lee Smith  
August 8, 2008  
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was acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use or was derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use, (iii) before a material change of his position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake. A.R.S. § 44-401.

Moreover, misappropriation involves the unfair taking for profit, at little or no cost, of property acquired by another through investment of substantial time and money. *Inter'l News Svcs v. Associated Press*, 248 U.S. 215, 39 S. Ct. 68 (1918); *Warner Brothers v. American Broadcasting Co.*, 720 F.2d 231, 247 (2d Cir. 1983); *Fairway Constructors, Inc. v. Ahern*, 193 Ariz. 122, 125, 970 P.2d 954, 957 (App. 1999).

Damages for misappropriating a trade secret may include both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss. In lieu of damages measured by any other methods, the damages caused by misappropriation may be measured by imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret. A.R.S. § 44-403. If willful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made.

#### Theft/Conversion

Arizona follows the definition of conversion set forth in Restatement (Second) of Torts § 222A(1) (1965): "Conversion is an intentional exercise of dominion or control over a chattel which so seriously interferes with the right of another to control it that the actor may justly be required to pay the other the full value of the chattel." *Miller v. Hehlen*, 209 Ariz. 462, 472, ¶ 34, 104 P.3d 193, 203 (App. 2005); *see also Focal Point, Inc. v. U-Haul Co. of Ariz.*, 155 Ariz. 318, 319, 746 P.2d 488, 489 (App. 1986).

#### Misrepresentation and Fraud

Despite your termination, then subsequent resignation, our client has recently become aware that you are representing to third parties that you are still affiliated with "FFPS". Under Arizona law, it is a crime to fraudulently misrepresent that you represent an entity that you are not affiliated with.

#### Civil Conspiracy to Commit Fraud

For a civil conspiracy to occur, two or more people must agree, that would include you and John Watts, to accomplish an unlawful purpose or to accomplish a lawful object by unlawful means, causing damages. *Wells Fargo Bank v. Arizona Laborers, Teamsters and Cement Masons Local No. 395 Pension Trust Fund*, 201 Ariz. 474, 498-499, 38 P.3d 12, 36 - 37 (Ariz. 2002) (citing *Baker v. Stewart Title & Trust of Phoenix*, 197 Ariz. 535, 542, 5 P.3d 249, 256 ¶ 30 (App.2000) (quoting *Rowland v. Union Hills Country Club*, 157 Ariz. 301, 306, 757 P.2d 105, 110 (1988)); *see also* RESTATEMENT (SECOND) OF TORTS § 876. An agreement plus a

Mr. Lee Smith  
August 8, 2008  
Page 6

wrongful act may result in liability. *Baker* at 542, 5 P.3d at 256. In short, liability for civil conspiracy requires that two or more individuals agree and thereupon accomplish "an underlying tort which the alleged conspirators agreed to commit. Here, the underlying wrong is that you and Mr. John Watts are representing to third parties via email that you are a part of FFPS, that FFPS is broke and going out of business, and encouraging people to file false claims against FFPS with the Attorney General's office.

#### Breach of Contract

Moreover, you have breached your contract with FFPS, specifically, your independent contractor agreement and FFPS's Policies and Procedures. According to those agreements, you agreed to keep confidential and not disclose any information available through the FFPS website or use the information to compete with FFPS. For a period of five years, the Confidentiality and Non-Disclosure Agreement survives from the date you were terminated as an independent contractor.

Furthermore, you agreed not to "hire or solicit any employee, other Affiliate, customer, manufacturer or supplier of FFPS or any of its Consultants, or in any manner attempt to interfere or induce any employee, other Affiliate, customer, manufacturer or supplier of FFPS or any of its Consultants, to alter their employment or business relationship with FFPS or its Consultants" for three years after your termination.

Simply put, a breach of contract is a failure to perform any of the terms of an agreement, without legal excuse. In the matter at issue, you have failed to honor the confidentiality and non-solicitation provisions in the contract signed between you and FFPS.

Generally, the remedy for any breach of contract is monetary damages. If the failure to perform cannot be redressed by monetary damages, a court may enter an equity award granting either an injunction or specific performance.

#### Copyright Infringement

Your use of FFPS's marketing materials is a clear case of copyright infringement. Copyright infringement is the unauthorized use of material that is covered by copyright law, in a manner that violates one of the copyright owner's exclusive rights or to make derivative. Federal Copyright Act of 1976, as amended.

A remedy for copyright infringement, includes, but is not limited to, a court issued order (restraining or injunctive) to prevent further violations; the award of money damages, an option we will most certainly seek; and in some circumstances, attorneys' fees. Because you knowingly copied FFPS copyrighted data, the court may deem you to be a willful infringer, and grant us triple damages.

Mr. Lee Smith  
August 8, 2008  
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Improperly Soliciting Employees and Independent Contractors

After your termination from FFPS, our clients discovered that you were also attempting to solicit their employees and independent contractors. As stated above, improperly soliciting employees and any independent contractors is a clear breach of your agreement with FFPS that clearly violates your above mentioned agreement not to solicit.

Punitive Damages

Based on your tortious conduct, FFPS may be awarded punitive damages, in addition to other damages for your actionable conduct. In Arizona, “[p]unitive damages are awarded ‘in the most egregious of cases,’ “where it is proved by clear and convincing evidence that the defendant engaged in “‘reprehensible conduct’ and acted ‘with an evil mind.’” *Security Title Agency, Inc. v. Pope*, 2008 WL 2895939, 17 (App. 2008) citing *Medasys Acquisition Corp. v. SDMS, P.C.*, 203 Ariz. 420, 424, ¶ 17, 55 P.3d 763, 767 (2002) (quoting *Linthicum v. Nationwide Life Ins. Co.*, 150 Ariz. 326, 331-32, 723 P.2d 675, 680-81 (1986)); see also *Hyatt Regency Phoenix Hotel Co. v. Winston & Strawn*, 184 Ariz. 120, 132, 907 P.2d 506, 518 (App.1995). A defendant acts with the requisite evil mind when he intends to injure or defraud, or deliberately interferes with the rights of others, ‘consciously disregarding the unjustifiable substantial risk of significant harm to them.

As you are now aware, this is a serious matter. We hereby demand that you retract the slanderous statement (and advise us of same by August 15, 2008) and cease and desist with any and all false statements about our client’s business and to our client’s business partners. We further demand that you cease and desist from any further attempts to injure and interfere with the business of FFPS. It is regrettable that you have decided to engage in this behavior; however, if you continue to make defamatory statements about our client’s business and do not comply with these demands, we will advise our client on what legal recourse it should take against you with a recommendation that they prosecute this matter to the fullest extent allowable under Arizona law.

Any action we file, will name your spouse Jocelyn R. Smith as a defendant. And, if our clients receive a judgment against you and your spouse for your actionable conduct, FFPS can collect on that judgment in several ways. One way to collect on a judgment is to place a lien on your home located at 18430 W. San Carlos Dr., Goodyear, Arizona, or on any business accounts, or any other property that is part of the community property of the marriage. Any attempts to transfer your home, bank accounts, business accounts or any property at this stage will be considered a fraudulent transfer under, which can lead to additional charges against you. A.R.S. § 44-1001 et seq.

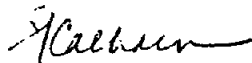
Your email references that you are represented by counsel. You should forward this letter to your attorney and have him or her contact our office at 602-265-7997.



Mr. Lee Smith  
August 8, 2008  
Page 8

We request that you refrain from contacting our clients, including any FFPS employees, affiliates, and independent contractors at their FFPS corporate contact information or in their capacity as representatives of FFPS. You can direct any communications regarding this matter to the undersigned.

Very Truly Yours,



Jay Calhoun

cc: client

EXHIBIT A

From: Lee Smith ([REDACTED]@ytb-travel-network.ccsend.com) on behalf of Lee Smith [leefps@yahoo.com]  
Sent: Saturday, July 26, 2008 2:31 PM  
To:  
Subject: Resignation of Lee Smith as FFPS National Marketing Director

Dear :

Please read this entire letter as it is very important information. After consulting with legal counsel, I have sent this in hopes that you will understand my position and forgive me for any inconvenience or issues this may cause.

To all the Wonderful Consultants and Professionals I have met,

Monday July 21st 2008 I resigned from my position as National Marketing Director for Freedom Foreclosure Prevention Services, LLC (FFPS) in Mesa, Arizona and have cancelled my LMC account.

Until recently, I have been marketing a program that I believed in. After some very alarming information was shared with me by acting COO Mr. John Watts, it is my feeling that I can no longer put my name on any of the FFPS Programs or Products.

During the past few weeks at FFPS, Mr. Watts had made numerous attempts to correct some serious operational issues that were needed for him to remain at FFPS.

It is my opinion only, that the CEO has chosen to stall or divert any attempts to implement the changes necessary to conduct an ethical and productive business.

For this and several other issues pertaining to the operation of FFPS, I have come to the conclusion I no longer believe in the LMC Program and have become unclear as to the true mission of FFPS.

Furthermore, I have issued a demand to FFPS to immediately remove all of my recordings, presentations and trainings that were produced by my software. On advice from legal counsel, this is my intellectual property, and since I was never an employee of FFPS and was not compensated for the software or my time to produce those recordings, they remain my property.

I realize this may cause some issues for the consultants until they replace those movies and modules and for that I apologize.

I have moved on to other projects and truly enjoyed making acquaintances with a lot of you.

Best of luck to you all,

Lee Smith  
602-490-0000

Any attempt by FFPS, through coercion or threat, to stop any person from contacting me directly is unlawful, any retaliation or threat of retaliation in any form by FFPS upon any person who wishes to contact me directly is unlawful.

Lee Smith  
Former Independent Contractor of FFPS

Forward email

7/26/2008

**EXHIBIT B**

From: Lee Smith [redacted]@ytb-travel-network.ccsend.com] on behalf of Lee Smith  
[leeffps@yahoo.com]

Sent: Saturday, July 26, 2008 1:16 PM

To:

Subject: Resignation as FFPS acting Chief Operating Officer

Dear

Please read this entire letter as it is very important information. After consulting with legal counsel, I have sent this at the request of Mr. John Watts.

To Whom This May Concern:

Monday July 21st 2008 I resigned from my position as acting COO for Freedom Foreclosure Prevention Services, LLC (FFPS) in Mesa, Arizona . My very short tenure (six weeks) produced some findings within the operation of FFPS that have caused me alarm. After diligent effort and recommending several operational changes I was confronted with the realization that, in my opinion only, the CEO does not wish to operate FFPS within my ethical and professional parameters.

If you wish to talk with me regarding my resignation please feel free to call. I will not expound upon any findings within the operation of FFPS or give any information that is unsubstantiated. However, I am available to detail the timeline and circumstances that led to my decision to resign; the decision to send this email was made with advice from legal counsel and is an attempt to dispel any libelous rumor or innuendo.

Good Luck in all future endeavors,

John P Watts  
602-606-7673

Any attempt by FFPS, through coercion or threat, to stop any person from contacting me directly is unlawful, any retaliation or threat of retaliation in any form by FFPS upon any person who wishes to contact me directly is unlawful.

Lee Smith  
Former Independent Contractor of FFPS

Forward email

SafeUnsubscribe®

This email was sent to anel@freedomforeclosure.com by leeffps@yahoo.com.  
Update Profile/Email Address | Instant removal with SafeUnsubscribe™ | Privacy Policy.

Email Marketing by



Lee Smith | [redacted] | Goodyear | AZ | 85338

7/26/2008

From: <nobody@pubsrv10.azag.gov>  
To: <online.complaints@azag.gov>  
Date: 7/25/2008 4:46 PM  
Subject: Online Consumer Complaint

08-12892

Below is the result of your feedback form. It was submitted by  
( ) on Friday, July 25, 2008 at 16:46:24

subject: Online Consumer Complaint

01age: Under 60

02contact\_yesno: Yes

03media\_yesno: Yes

04govt\_yesno: Yes

05military: N/A

06HowHeard: Went onto AG Website

07OtherHowHeard:

08Cust\_First\_Name: Lee

09Cust\_Last\_Name: Smith

10Cust\_Address: [REDACTED]

11Cust\_City: Goodyear

12Cust\_State: Arizona

13Cust\_Zip: 85338

14Cust\_HomePhone\_Area: [REDACTED]

15Cust\_HomePhone: [REDACTED]

16Cust\_WorkPhone\_Area: [REDACTED]

17Cust\_WorkPhone: [REDACTED]

18Cust\_FAX\_Area:

19Cust\_FAX:

20Cust\_Email:

21PV\_Name: Freedom Foreclosure Prevention Services, LLC

22PV\_Address: 1234 S Power Rd #250

RECEIVED  
JUL 28 2008  
CPA/CIC

23PV\_City: Mesa

24PV\_State: AZ

25PV\_Zip: 85338

26PV\_Phone\_Area: 480

27PV\_Phone: 839-9900

28PV\_2ndPhone\_Area: 480

29PV\_2ndPhone: 212-3069

30PV\_Email: jeff@freedomforeclosure.com

31PV\_Website: www.freedomforeclosure.com

32Circumstances: I was contracted by Freedom Foreclosure Prevention Services, LLC (FFPS) to market their tuition program for foreclosure prevention training and given the title of National Marketing Director. I was assured by Jeff Segal-CEO and Mike Workman-VP that they were using the marketing income to build the Loss Mitigation Division to handle the increase in Consultants referring new cases. I was to be compensated with an override of programs sales and was promised a large bonus when the company was sold. Everything appeared fine until recently.

I was recently made aware of the actual numbers and closing ratio of the Loss Mitigation Department. What I learned was shocking to say the least.

It is my opinion that FFPS has been conducting a "Ponzi" scheme. I resigned on Monday July 21, 2008 and canceled my account with FFPS.

I believe this needs to be investigated and hope more damage is not done to homeowners.

33complain\_yesno: Yes

34ComplaintResponse: Jeff Segal-CEO and Mike Workman-VP both said "Not to worry about it most Consultants never do anything and the only way for us to stay in operation was for us to sell more LMC programs."

35warranty\_yesno: Yes

36sign\_yesno: No

37Trans\_Date\_Month: 0

38Trans\_Date\_Day: 0

39Trans\_Date\_Year: 2007

40Trans\_Place:

41Damages:

42SalesPerson:

43Witness:

44ad\_yesno: No

45Advertised:

46attorney\_yesno: No

47Attorney:

48action\_yesno: No

49Agencies:

50Comments: I am more than willing to provide details of the inner workings of the company.

51Name: Lee Smith

52Date: 7-25-08

submit: Submit

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