

Date: April 10, 2010 **Total Pages:** 12

For: Stephen Davidson
National Bank

Engagement: Loan Transaction

Subjects: A) USA Products, LLC
B) Devin Jacob Staves

Request Date: April 3, 2010
Reference: 2010-BG-123
Report Type: Final

The narrative portions of the report represent only the elements for which records were found. The summary charts provide the results of all searches and their jurisdictions and/or sources. Unless otherwise noted, all records have been matched to the subject by name, address, known associates and/or a combination of these.

Notations:

One closed civil lawsuit filed in 2008 and involving an action brought under the Federal Trade Commission Act, was located at the United States District Court for the Northern District of California that listed Devin Staves, et al. as defendants. According to published articles, the FTC filed two proposed stipulated orders resolving charges that the marketers of "Slim Thighs," an electronic exercise belt, falsely advertised that using the device caused weight and inch loss without exercise. These orders are part of a global settlement resolving the FTC's lawsuit and related actions brought by county and city prosecutors in California. Under the settlements, Easy Abs marketers, Dynamics, LLC (Staves was president of this now defunct company) and certain retailers collectively will pay over \$2 million, of which over \$1.4 million will be for consumer redress. The FTC and California orders bar the defendants from making the false advertising claims for the product or any similar device, and contain other injunctive relief to prevent future deceptive advertising. In an amended complaint, the Commission added one new individual defendant, Devin Staves, who participated in the challenged advertising campaign. The FTC obtained a stipulated final order in April 2009 which requires Staves to pay \$120,000 in redress to the FTC, and in separate agreements with the California prosecutors, Staves agreed to pay

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\$100,000 to a redress account managed by the California prosecutors, with an additional \$170,000 going toward civil penalties and costs. **Sections B-3a and B-6.**

One criminal record filed in 2007 was located in California at the San Francisco County Superior Court that listed subject Devin Jacob Staves as the defendant. Staves was charged with (felony) one count of aggravated driving under the influence of intoxicating liquor on a suspended or revoked license and (felony) one count of aggravated driving under the influence of intoxicating liquor on a suspended or revoked license with a blood alcohol content over .10 The subject pleaded guilty to a misdemeanor count of driving under the influence of intoxicating liquor, and was sentenced to four months incarceration in the San Francisco County Jail and three years probation, ordered to pay a monthly probation services fee and fined \$780. Upon the recommendation of the probation officer, the probation was terminated after 20 months. **See Section B-5.**

Two closed civil lawsuits, filed in 2006 and 2008, were located in California at the San Francisco County Superior Court that listed USA Products, LLC et al. as defendants. The 2005 contract complaint, dismissed by arbitration, was brought by Origins Media, Inc. and also named Devin Staves as defendant. The plaintiff alleged that while Staves was a consultant for Origins, his firm misappropriated trade secrets and embezzled funds from Origins, which culminated in the fraudulent purchase of the company's assets by USA Products, LLC. The 2008 unlawful detainer action resulted in a default judgment in the amount of \$3,091. **See Section A-6.**

One settled civil lawsuit filed in 2006 alleging fraud with a demand of \$5,000,000 was located at the United States District Court for the Northern District of California that listed USA Products, LLC et al. including Devin Staves, as plaintiffs and counter-defendants. No further information is available as the file is missing from the courthouse. **See Section A-7.**

According to an article published in March 2009, USA Products, LLC was involved in a dispute with LML International, a company which ran a call center in Kansas for USA Products. USA Products and a related company, Muse Marketing, accused LML International of misappropriating funds from the call center. LML stated that it removed the money from the account "only after Muse Marketing 'clearly failed to meet the performance requirements that would have entitled it' to receive the money." **See Section A-4b.**

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Results of Investigation Regarding USA Products, LLC

San Francisco County, California Northern District	No Records Found	Records Found	Years Searched/ Comments
Corporate Records		X	As Applicable
Business Credit Report		X	As Applicable
Company Web Site		X	As Applicable
Superior Court – Civil Records		X	10
Superior Court – Criminal Records (felony index)	X		10
Federal District Court – Civil Records		X	10
Federal District Court – Criminal Records	X		10
Media Sources (noteworthy content; national and/or international publications, public record repositories and specialized libraries)		X	10
UCC Filings (tax liens & judgments only)	X		As Applicable
Bankruptcy Records	X		10
Tax Lien Records	X		10
Judgment Records	X		10
Federal Excluded Parties Index (debarment or suspension from receiving federal contracts or subcontracts and certain types of federal financial and non-financial assistance and benefits)	X		As Applicable
County Recorder’s Index	X		As Applicable
Office of Foreign Assets Control (OFAC) (names of known or suspected terrorists)	X		As Applicable

Detail of Investigation

A. USA Products, LLC

**7030 Embarcadero Street
San Francisco, CA 94111
INDUSTRY: Multi-Media Sales**

1. A Credit Underwriting Risk Investigation was conducted in San Francisco County, California under the name USA Products, LLC.
2. The California Secretary of State records indicate that USA Products, LLC is an active limited liability company that registered on March 14, 2003. Devin J. Staves is listed as manager, and Jake Rosner is on record as the registered agent (at Three Maritime Plaza, Suite 600 San Francisco, CA 94111). The California filing number is 200122401064.
3. The Experian business credit report, dated September 26, 2009, listed the subject's name as USA Products, LLC. Started in 2002, the subject is a direct retail establishment. Devin. J. Staves and Daniel L. Hartnet are identified as the members/managers.
4. Numerous articles were located in searches of media sources that referenced USA Products, LLC. Many were undated Internet references regarding consumer complaints involving products marketed by USA Products. Excerpts from a 2006 article pertaining to The Property Group, a company also headed by Devin Staves, and a 2009 article regarding the company's dispute with LML International, have been excerpted below.
 - a. March 22, 2006, Equities Magazine: Soaring taxes are a bummer in every way, unless you're looking to buy properties in tax default and sell them for quick profits. Commencing operations in June 2005 and going public via a reverse merger on January 24, The Property Group (TPG) claims to be profitable since day one. "The first properties we bought we turned around and sold in a matter of minutes," says President Daniel Hartnet. "It was so easy because we already have a customer base of over one million active buyers of these kinds of properties." Since 1996, Hartnet and TPG CEO Devin Staves have been running USA Products, LLC. This is a mass multi-media company dedicated to selling an array of products, primarily through

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Detail of Investigation – Continued

A) USA Products, LLC

the power of infomercials. One of the company's products is a hands-on educational tool used to teach the average person how to buy and sell tax liens and tax deeds. Because of this product's success, USA Products, LLC developed a list of customers with an insatiable appetite for buying and selling properties in tax default. Because of this customer demand, Hartnet and Staves teamed up to start TPG. "Our customers came to us and requested that we help them by locating these properties and buying them while they learn how to do it themselves," says Staves. "We started a separate company so we could buy large parcels of these properties at tax auction and market them back to our customers in smaller parcels." Why would these customers ask their mentors to go out and buy up these properties for them and then sell them back to them at higher price? "Simple," chuckles Staves. "People are generally a bit lazy." TPG's strategy is to utilize the Internet to offer a quick and easy way for people to buy and sell these properties at (hopefully) instant profits.

- b. March 30, 2009, Morning News: LML International Inc., a wholly owned subsidiary of LML Small Business Inc., said claims in a lawsuit filed by USA Products and Muse Marketing regarding alleged misappropriated funds are without merit and that LML plans to file a counterclaim. LML said it deposited \$700,000 over the course of about one year into an LML account that was intended to be the source of payment to Muse Marketing if Muse met certain performance criteria in its management of an LML call center in Overland Park, Kansas. LML said it removed the money from the account only after Muse Marketing "clearly failed to meet the performance requirements that would have entitled it" to receive the money. It said LMLSB made no attempt to transfer funds into its operating account until after proper legal notification was acknowledged as received by Muse. The suit was filed in the District Court of Clark County, Nevada. LML said the counterclaim will focus on USA Product's and Muse's alleged failure and refusal to remit to LML income from the call center operation that belongs to LML. LML said the companies had failed on their promise to provide leads to the call centers to generate at least \$150,000 in monthly net income. It said it expects to recover damages from the two companies and their principals "measured in the multiple millions of dollars."

5. A Web site for USA Products, LLC was located at www.USAproducts.com.

Detail of Investigation - Continued

A) USA Products, LLC

6. Two civil lawsuits filed in 2006 and 2008, noted below, were located in California at the San Francisco County Superior Court that listed USA Products, LLC et al. as defendants. Devin Staves was also listed as defendant. in the 2005 case.

a. Case Number: 04A00310
Date Filed: 3/24/2008
Plaintiff: MAS Systems
Defendants: USA Products LLC; et al.
Type: Unlawful Detainer
Status: Default judgment in the amount of \$3,091 – 7/14/2008.

b. Case Number: LC067401
Date Filed: 12/31/2006
Plaintiff: Origins Media Inc.
Defendants: USA Products LLC; Daniel Hartnet; Devin Staves; et al.
Type: Contract (Conversion; Violation of Uniform Trade Secrets; Common Law and Statutory Unfair Competition; Intentional Interference with Contractual Relations; Intentional Interference with Economic Advantage; Fraud; Breach of Fiduciary Duty; Unjust Enrichment; Accounting)
Status: Dismissed by arbitration – 11/19/2007.
Summary: Plaintiff alleged that in mid-1998, the company founder, Joseph Eblen, offered Devin Staves to become an employee of Origins. Staves declined, but agreed to work for Origins as an independent contractor through his company, Cage & Staves (HCS). As contractor, he was placed in charge of the Media Division of Origins, which marketed products through infomercials. Unknown to Origins, Staves signed agreements for Origins as president of Origins, misappropriated Origins' trade secrets and stole assets from the Media Division of Origins. Further, on December 14, 2001, the day Origins needed monies to meet payroll, Jake Rosner, defendants' attorney, drew up a Business Separation Agreement providing for defendants to take over interim management of the Media Division. This new draft "substantially changed critical portions of the [BSA], such that it no longer providing for defendants' interim

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Detail of Investigation – Continued

A) USA Products, LLC

management which included defendants' payment of \$150,000 related to Origins' payables. Rosner had redrafted critical portions of the [BSA] such that it now was an illegal and void asset sale for only \$150,000." Rosner's version of the BSA was executed, which amounted to a sale of all of Origins' infomercial properties, including "all material, inventories, contracts, intellectual property, trademarks, copyrights, receivables or other tangible or intangible assets associated with the same." Plaintiff alleges that defendants diverted \$150,000 from Origins account to USA Products, LLC to make the payment. Origins quit business in January 2004.

7. One civil lawsuit filed in 2006, noted below, was located at the United States District Court for the Northern District of California that listed USA Products, LLC et al. including Devin Staves, as plaintiffs and counter-defendants.

Case Number: 06cv07387
Date Filed: 10/15/2006
Plaintiff: USA Products LLC
Defendants: Media Resolutions Inc., Cary Thornton, et al
Counter-Claimant: Media Resolutions Inc.
Counter-Defendants: USA Products LLC; Devin Staves; et al.
Type: Fraud (Demand – \$5,000,000)
Status: Dismissed with prejudice pursuant to settlement – 11/29/2007

Results of Investigation Regarding Devin Jacob Staves

San Francisco County, California Northern District	No Records Found	Records Found	Years Searched/ Comments
Address History and Social Security Number Trace		X	As Applicable
Officer/Director Records		X	As Applicable
Media Sources (noteworthy content; national and/or international publications, public record repositories and specialized libraries)		X	10
Superior Court – Civil Records		X	10
Superior Court – Criminal Records (felony index)		X	10
Federal District Court – Civil Records		X	10
Federal District Court – Criminal Records	X		10
UCC Filings (tax liens & judgments only)	X		As Applicable
Bankruptcy Records	X		10
Tax Lien Records	X		10
Judgment Records	X		10
Federal Excluded Parties Index (debarment or suspension from receiving federal contracts or subcontracts and certain types of federal financial and non-financial assistance and benefits)	X		As Applicable
Office of Foreign Assets Control (OFAC) (names of known or suspected terrorists)	X		As Applicable

Detail of Investigation- Continued

B. Devin Jacob Staves

46 Culebra Terrace

San Francisco, CA 94109

SSN: XXX-XX-1212 (Only a partial SSN is noted to protect the identity of the subject. The complete number was used, as applicable, for record identification.)

DOB: February 2, 1968

1. The address traces for Devin Jacob Staves indicated the name variation: DJ Staves. A customized investigation was conducted with and without the subject’s middle name and initial, and using the first name variation DJ. Addresses were listed in the following counties:

- * San Francisco County, California (1999, 2000 and 2003-2009)
- * Contra Costa County, California (1995)

A Credit Underwriting Risk Investigation was conducted in San Francisco County, California. Searches were not conducted in Contra Costa County, California, as the address was reported only once in 1995.

2. The California Secretary of State records disclosed the following corporate affiliations for the subject:

COMPANY	STATUS	AFFILIATION	INCORP STATE/ DATE
Millions Publishing, LLC	Active	Member/Manager	CA – 8/11/2004
E-auction Systems	Active	Member/Manager	CA – 7/8/2004
Dynamics, LLC	Suspended 11/9/2004	President	CA – 10/15/2002
USA Products, LLC	Active	Member/Manager	CA – 11/28/2003

A “suspended” corporate status indicates that the company has failed to pay taxes to the applicable tax authorities or to fulfill statutory filing requirements.

Detail of Investigation - Continued

B) Devin Jacob Staves

3. Several articles dated between 2000 and 2010 were located in searches of media sources that referenced the subject and chronicle his career in the direct sales industry. Excerpts from one article containing biographical information and from one 2009 article pertaining to litigation filed against the subject by the Federal Trade Commission are cited below.
 - a. May 2, 2009, FTC Press Release, Accessed July 25, 2007 at <http://www.ftc.gov>: The Federal Trade Commission filed two proposed stipulated orders in federal court resolving charges that the marketers of “Easy Abs,” an electronic exercise belt, falsely advertised that using the device caused weight and inch loss without exercise. These orders are part of a global settlement resolving the FTC’s lawsuit and related actions brought by county and city prosecutors in California. Under the settlements, Easy Abs marketers, Dynamics, LLC (Staves was president of this company) and certain retailers collectively will pay over \$2 million, of which over \$1.4 million will be for consumer redress. The balance will go to the California prosecutors for costs and civil penalties. The FTC and California orders bar the defendants from making the false advertising claims for the product or any similar device, and contain other injunctive relief to prevent future deceptive advertising. In an amended complaint, the Commission added one new individual defendant Devin Staves, who participated in the challenged advertising campaign. The Commission filed a complaint in May 2002, in U.S. District Court for the Southern District of California as part of the FTC’s “Project ABSurd,” which targeted false claims made by the marketers of widely advertised abdominal devices that use electronic muscle stimulation technology. The FTC obtained a stipulated final order which requires Staves to pay \$120,000 in redress to the FTC. In separate agreements with the California prosecutors, Staves agreed to pay \$100,000 to a redress account managed by the California prosecutors, with an additional \$170,000 going toward civil penalties and costs. Under the order, Devin Staves must obtain a \$150,000 letter of credit (similar to a performance bond) before marketing any product or program promoted for weight or inch loss.
 - b. November 15, 2000, Business Wire, Accessed July 25, 2009 at www.onlinemarketingtoday.com/news/articles: [Devin] Staves joined MediaTV in January 1999 as vice president, media, when MediaTV purchased certain assets of Results Media Inc., a media-buying/advertising agency of which Staves was sole shareholder and CEO during 1997. In 1996 and 1995, Staves was vice president of Star Productions Inc., a television marketing company. From 1991 to March 1994, he was executive vice president of Roaring Spring Productions.

Detail of Investigation - Continued

B) Devin Jacob Staves

4. As noted in Section A-6, a 2005 commercial complaint, dismissed by arbitration, was filed by Origins Media, Inc. against USA Products, LLC, Devin Staves, et al. in California at the San Francisco County Superior Court. The plaintiff alleged that while Staves worked as a consultant for Origins, his firm misappropriated trade secrets and embezzled funds from Origins, which culminated in the fraudulent purchase of the company's assets by USA Products, LLC.
5. One criminal record filed in 2007 was located in California at the San Francisco County Superior Court that listed the subject as defendant.

Case Number: CR9190605
Indictment Date: 3/21/2007
Offense Date: 3/14/2007
Defendant: Devin Jacob Staves
DOB On File: 2/2/1968
Charges: Count 1 – Aggravated Driving While Under the Influence of Intoxicating Liquor on a Suspended/ Revoked License (Felony)
Count 2 – Aggravated Driving While Under the Influence of Intoxicating Liquor on a Suspended/ Revoked License with a BAC/BRAC over .10 (Felony)
Status: Pled guilty to one count of Driving While Under the Influence of Intoxicating Liquor, a class 1 misdemeanor. Sentenced to three years probation and four months incarceration in the San Francisco County Jail, ordered to pay a monthly probation services fee of \$30 throughout the term of probation and fined \$780 – 8/72007. Subject complied with all probation directives, including counseling, Alcoholics Anonymous and Victim Impact Panel, paid all fines and his license was returned on 4/7/2008. Upon the recommendation of the probation officer, the probation was terminated after 20 months.

Detail of Investigation - Continued

B) Devin Jacob Staves

6. In addition to the settled 2008 civil lawsuit for fraud filed at the United States District Court for the Northern District of California that listed USA Products, LLC et al. including Devin Staves, as plaintiffs and counter-defendants (noted in Section A-7), the following 2009 case was found in this court:

Case Number:	02cv00888
Date Filed:	04/26/2009
Plaintiff:	Federal Trade Commission
Defendants:	Devin Staves; Dynamics, LLC, et al.
Type:	Federal Trade Commission Act
Status:	Stipulated final judgment and order for permanent injunction, monetary and other equitable relief entered against defendants – 4/26/2009
Note:	A related article excerpt is included in Section B-3a.

END OF REPORT