

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

EMPIRE HOLDINGS GROUP LLC, also d/b/a
ECOMMERCE EMPIRE BUILDERS and
STOREFUNNELS.NET, a limited liability
company, and

PETER PRUSINOWSKI, aka PETER PRU,
individually and as an officer of Empire Holdings
Group LLC,

Defendants.

Case No. 2:24-CV-4949

**PLAINTIFF’S OPPOSITION TO MOTION AND MEMORANDUM FOR FEES
INCURRED TO DATE, AND ADDITIONAL FEES TO CONTINUE TO DEFEND
OR, IN THE ALTERNATIVE, TO WITHDRAW AS COUNSEL OF RECORD**

I. Introduction

Plaintiff, Federal Trade Commission (“FTC”), opposes Defendants’ request to pay attorneys’ fees incurred to date, and future fees, out of the assets that are preserved pursuant to the Temporary Restraining Order entered on September 20, 2024, and extended on October 3, 2024, and October 10, 2024.¹ As the Receiver’s Report (Doc. No. 38) confirms, consumers paid their hard-earned money to Defendants based on pervasive misrepresentations about Defendants’ business opportunity. The law is clear: consumers should receive their money back. Unfortunately, the TRO has frozen only a small fraction of what would be needed to make

¹ Doc. Nos. 19, 32, 34.

consumers whole. Defendants' motion requests that this limited quantity be further depleted in order to release \$231,358.50 for attorneys' fees incurred to date and \$150,000 for future fees, which would drain an already shallow pool of funds that should be preserved for consumer victims. Further, Defendants are not legally entitled to use the frozen funds to support their representation, Defendants have other options for funding their defense, and Defendants have retained new counsel for the remainder of this matter who already has defended a deposition for them.

The FTC does not oppose the request of Gordon Rees Scully Mansukhani, LLP ("Gordon Rees") to withdraw as counsel of record if this Court denies Defendants' request to unfreeze additional funds. Defendants have retained the services of other counsel, Greg Christiansen and Philip Martin, who are being paid from funds not under the asset freeze.²

II. Facts and Procedural Background

In its Complaint (Doc. No. 1), the FTC charged Defendants with violating Section 5(a) of the FTC Act, 15 U.S.C. § 45(a); the FTC's Trade and Regulation Rule entitled "Disclosure Requirements and Prohibitions Concerning Business Opportunities" ("Business Opportunity Rule" or "Rule") 16 C.F.R. Part 437, as amended; and the Consumer Review Fairness Act ("CRFA"), 15 U.S.C. § 45b.³ Along with its Complaint, the FTC filed an application for a temporary restraining order with supporting evidence.⁴ After a hearing, this Court entered the TRO on September 20, 2024, freezing Defendants' assets and appointing Kevin Dooley Kent as temporary receiver ("the Receiver") over the Corporate Defendants, and scheduling a hearing regarding the FTC's request for a preliminary injunction on October 7, 2024.⁵

² Doc. No. 38 at 10 (Receiver's First Written Report).

³ Compl. ¶ 1.

⁴ Doc. No. 2.

⁵ Doc. No. 19.

Defendants filed an Emergency Motion to Amend the TRO on September 25, 2024,⁶ the Receiver and the FTC responded to this Motion on October 2, 2024,⁷ and this Court denied Defendants' Motion on October 3, 2024.⁸ On October 3, 2024, the FTC and Defendants filed a Joint Motion to Extend the TRO and Continue the Hearing to Show Cause Why A Preliminary Injunction Should Not Issue,⁹ which this Court granted, and the preliminary injunction hearing is now set for November 12, 2024.¹⁰

Defendants claim that “immediately after the [TRO] hearing” they began complying with the TRO by meeting with the Receiver, and that they “gathered the requisite information and timely provided to the FTC and the Receiver” the required financial disclosures.¹¹ The FTC disputes this characterization. The Receiver's report describes the difficulties the Receiver encountered in taking over control of Defendants' business operations.¹² For example, the Receiver reported that Defendant Prusinowski delayed in responding to requests for information, responded “in a piecemeal fashion,” and did not promptly respond to questions “until repeatedly [being] reminded to do so by the Receiver and his counsel.”¹³ The Receiver reported a delay of several days in securing Defendant Prusinowski's laptop and cellphone and also reported that “[t]here remains an open question regarding whether any data or information was deleted from these personal devices before they were turned over to the Receiver.”¹⁴ The Receiver also reported his inability to access some accounts due to “issues with Two-Factor Authentication codes sent to unknown and/or inaccessible email addresses and/or phone numbers, and/or

⁶ Doc. No. 24.

⁷ Doc. Nos. 26, 27.

⁸ Doc. No. 29.

⁹ Doc. No. 28.

¹⁰ Doc. No. 34.

¹¹ Doc. No. 35 at 4.

¹² Doc. No. 38 at 44-45.

¹³ Doc. No. 38 at 45.

¹⁴ *Id.*; *see also* Doc. No. 38 at n. 15.

incorrect and/or non-functioning log-in credentials provided by Defendant Prusinowski,”¹⁵ as well as “difficulties in promptly obtaining documents and information from certain third parties.”¹⁶ These third parties reported to Defendant Prusinowski before the Court entered the TRO, but still—five weeks after the entry of the TRO—present a major obstacle to the Receiver by refusing compliance with the Court’s Order.

Also, on September 25, 2024, Defendants sent the FTC their initial financial disclosures, per Section V of the TRO.¹⁷ The initial disclosures were incomplete.¹⁸ Defendant Prusinowski did disclose a purported ownership interest in the Atlas Fund Limited Partnership (“Atlas Fund”). He further stated that on September 19, 2024, the Atlas Fund had transferred \$400,000 to Gordon Rees as a legal retainer in this matter.¹⁹ On October 14, 2024, the Receiver designated the Atlas Fund as a receivership entity.²⁰ Following this designation, on October 16, 2024, Gordon Rees retained a lien in the amount of \$231,358.50 currently being held in Gordon Rees’ trust account for attorneys’ fee incurred to date.²¹

On October 22, 2024, the Receiver filed his first report.²² In addition to the issues discussed above, the Receiver concluded that Defendants’ business operations could not be conducted both legally and profitably.²³ The Receiver, *inter alia*, concluded in his report that “EEB’s social media usage violates Section 5(a) of the FTC Act,” “EEB’s social media posts constitute ‘unfair or deceptive acts,’ as a substantial amount of the social media posts include or

¹⁵ Doc No. 38 at 12.; *see also* Doc No. 38 at 18 (“The Receiver has been unable to access the non-financial account ActiveCampaign, which is a customer experience automation platform...because EEB has not provided the correct log-in credentials despite multiple requests for such.”).

¹⁶ *Id.*

¹⁷ Doc No. 19.

¹⁸ Defendants provided an email update to their initial disclosures on October 24, 2024.; *see* PX 14 ¶ 6.

¹⁹ PX 11, ¶ 12.

²⁰ Doc. No. 38, Exhibit B.

²¹ PX 13.

²² Doc. No. 38.

²³ Doc. No. 38 at 1, 36-44, 46.

display statements that fit within the definition of deceptive ‘Earnings Claims[,]’ and “EEB has violated the Business Opportunity Rule[.]”²⁴ Critically, “Defendant Prusinowski told the Receiver that EEB does not keep records of its customer’s own sales data, thereby rendering EEB incapable of providing substantiation that the Earnings Claims made in its social media posts are ‘representative of what consumers will generally achieve.’” 16 C.F.R. § 255.2.²⁵

III. The Court Should Deny Defendants’ Request to Use Frozen Funds to Pay for Legal Fees

a. Frozen Assets Should Be Preserved

The FTC does not dispute that Gordon Rees may seek payment from Defendants for services rendered. Rather, the issue before the Court is to what extent Defendants should be allowed to use frozen funds for the payment of large quantities of attorneys’ fees that Defendants state they have incurred to date, in addition to future fees.

The asset freeze in this case was proper,²⁶ and district courts have the discretion to determine whether to award attorneys’ fees out of frozen assets.²⁷ A key factor courts have considered when weighing whether to release frozen funds is whether the frozen funds are likely to be sufficient to pay Defendants’ anticipated liability.²⁸ Where, as here, the frozen assets fall

²⁴ Doc. No. 38 at 39.

²⁵ Doc. No. 38 at 39-40.

²⁶ Doc. No. 29 (Order Denying Defendants’ Emergency Motion to Amend/Correct TRO Order); Doc. No. 27 (FTC’s Response in Opposition to Defendants’ Emergency Motion To Amend TRO); *SEC v. Infinity Grp. Co.*, 212 F. 3d 180, 197 (3d Cir. 2000) (citing *CFTC v. Am. Metals Exch. Corp.*, 991 F. 2d 71, 79 (3d Cir. 1993) (“A freeze of assets is designed to preserve the status quo by preventing the dissipation and diversion of assets.”)).

²⁷ *Am. Metals Exch. Corp.*, 991 F. 2d. at 79-80 (allowing freeze to “remain in effect until the district court determines whether it can make an informed determination of the amount of unlawful proceeds retained” by Defendant, after which “the district court can decide to maintain, remove or modify the freeze.”); *Id.* (“While we recognize that [defendant’s] lawyers should be reimbursed for their efforts on his behalf, we do not find the district court’s failure to disturb the freeze to be an abuse of discretion.”); *Infinity Grp. Co.* 212 F. 3d. at 197 (“In *American Metals*, we found no abuse of discretion where the district court denied a request to pay attorney’s fees from frozen assets where it was shown that the defendant had access to other funds not in receivership. Accordingly, we do not find abuse of discretion here.”)).

²⁸ See *CFTC v. Noble Metals Int’l, Inc.*, 67 F.3d 766, 775 (9th Cir. 1995) (“courts regularly have frozen assets and denied attorney fees or limited the amount for attorney fees” to protect the integrity of disputed assets and ensure

far short of the approximate liability, courts have regularly denied requests for fees, or limited the amount for such fees.²⁹ The FTC respectfully submits that this Court should exercise its discretion by denying Defendants' Motion.

b. The Frozen Funds Are Not Sufficient for Potential Relief to Injured Consumers

Since 2021, Defendants have taken in approximately \$21,800,000 in revenue through perpetrating their scheme.³⁰ Of this revenue, the FTC estimates that Defendants' potential monetary liability is over \$9 million for Business Opportunity Rule violations between January 1, 2021 and February 29, 2024.³¹ As of October 20, 2024, the total balance in the Receivership Account was \$1,308,273.25,³² and Prusinowski has approximately \$753,542.46 in personal

that such assets are available for final monetary redress) (quoting *FTC v. World Wide Factors, Ltd.*, 882 F.2d 344, 347 (9th Cir. 1989); *CFTC v. Morse*, 762 F.2d 60, 63 (8th Cir. 1985) (“the report of the receiver indicates that the funds remaining in the estate will not be sufficient to pay all the claims of defrauded customers”, thus “it would be inequitable to further deplete these funds to pay the attorneys retained by [defendant] in his attempt to avoid paying his customers.”); *FTC v. Lainer Law, LLC*, No. 3:14-cv-786-34PDB, 2015 WL 9302786, at *3 (M.D. Fla. Dec. 22, 2015) (denying defendant’s request to vacate asset freeze so defendant could obtain legal counsel because it was “extremely unlikely that [the] assets will be adequate to redress any consumer injuries,” and “the likelihood that attorney’s fees would consume a significant portion, if not all of what little assets remain.”); *FTC v. RCA Credit Servs., LLC*, No. 08-cv-2062, 2008 WL 5428039, at *4 (M.D. Fla. Dec. 31, 2008) (“if the frozen assets fall short of the amount needed to compensate consumers for their losses, a court is within its discretion to deny an application for living expenses and attorney fees.”); *FTC v. Elite IT Partners, Inc., et al.*, No. 2:19-cv-00125 (D. Utah Apr. 5, 2019) (ECF No. 70) (denying defendants’ request for attorneys’ fees because, *inter alia*, defendants failed “to supply evidence that the release of receivership assets is necessary to mount a legal defense,” and “the amount needed to redress alleged victims dwarfs the amount of receivership assets currently available.”); *see also SEC v. Hvizdzak Cap. Mgmt., LLC, et al.*, 2023 WL 202206, at *2 (W.D. Pa. Jan. 17, 2023) (one factor commonly considered in securities cases when evaluating a defendants’ request to release frozen assets is “whether the frozen assets fall short of the amount necessary to compensate victims of the alleged scheme.”); *SEC v. Forte*, 598 F. Supp. 2d 689, 692-93 (E.D. Pa. 2009) (“It does not appear that the frozen assets will remotely cover the lost investments...given the paltry assets that remain to compensate defendant’s alleged victims, any release of funds seem unwarranted.”)).

²⁹ *See supra* at n. 29.; *Hvizdzak Cap. Mgmt.*, 2023 WL 202206, at *3 (“The percentage of the investors’ funds requested to be unfrozen and redirected for Defendants’ attorneys’ fees is irrelevant. Rather, the appropriate inquiry is whether sufficient assets remain to cover the investors’ losses.”).

³⁰ Doc. No. 38 at 1, 31; *see also* PX 3 at ¶ 9 (Prefiling, FTC calculated that revenue was at least \$14,326,961 during the shorter time period from January 1, 2021 to February 29, 2024).

³¹ PX 12 at ¶ 10; This amount will likely rise further as the period of March 1 to September 20, 2024, will be added to the amount of harm as well as monetary relief for Defendants’ violations of the CRFA—which have not yet been included in the total harm amount. 15 U.S.C. § 45b(d); Compl. at ¶¶ 1, 72, 74.; Doc. No. 2 at n. 102; Doc. No. 27 at 5.

³² Doc. No. 38 at 33; Doc. No. 38, Exhibit D.

assets frozen.³³ Thus, the total amount of assets available in the Receivership estate and frozen in either Defendant Prusinowski's personal accounts or the Gordon Rees account is \$2,447,086.35. This is only approximately 26% of the potential liability Defendants are facing in this matter, even based on the FTC's current conservative estimate.

c. Defendants Are Not Entitled to Use Victim Funds to Pay Attorneys' Fees

Defendants have no right to use the frozen funds to pay attorneys' fees. In light of the Supreme Court's decisions in *U.S. v. Monsanto*, 491 U.S. 600 (1989) and *Caplan & Drysdale, Chartered v. U.S.*, 491 U.S. 617 (1989), there cannot be "any doubt as to the constitutionality of freezing assets and precluding...their use for payment of attorneys' fees."³⁴ "Just as a bank robber cannot use the loot to wage the best defense attorney money can buy, so a swindler...cannot use the victims' assets to hire counsel who will help him retain the gleanings of crime."³⁵ "[W]hile parties to litigation generally may spend their resources as they see fit to retain counsel, they may not use their victims' assets to hire counsel to help them retain the fruits of their violations."³⁶

Defendants specifically request access to \$400,000 of frozen funds³⁷ to pay their legal bills, and purportedly fund their continued defense. Here, the money in question was taken from the Atlas Fund, which the Receiver rightfully designated as a receivership entity on October 14, 2024.³⁸ This money could clearly be used for potential consumer redress, and should not be accessed and squandered to pay attorneys' fees incurred during the infancy of this litigation.

³³ PX 14 at ¶ 8.

³⁴ *World Wide Factors*, 882 F. 2d at 347.

³⁵ *SEC v. Quinn*, 997 F. 2d 287, 289 (7th Cir. 1993).

³⁶ *RCA Credit Servs.*, 2008 WL 5428039 at *4 (citing *Quinn*, 997 F.2d at 289).

³⁷ The \$400,000 in question was transferred after Defendants received notice of the lawsuit. PX 11, ¶ 12; Doc. No. 38 at 10.

³⁸ Doc. No. 38, Exhibit B.

d. Defendants Have Other Options

Defendant Prusinowski has the means to pay his attorneys' fees through alternate, gainful employment or seeking the assistance of friends and family. Indeed, he is doing just that in paying different counsel.³⁹ The TRO conduct provisions prohibit him from violating certain obligations that already exist under the law, but do not stop him from earning a living by lawful means.⁴⁰ Also, the asset freeze does not affect any assets acquired after the entry of the TRO that are not derived from activities that are the "subject of the Complaint in this matter or that [are] prohibited by this Order."⁴¹

The record plainly shows Defendant Prusinowski is able acquire funds from non-frozen assets.⁴² Nothing bars Defendant Prusinowski from further tapping the sources already providing funds, pursuing gainful employment with other businesses, or using other family or business connections to pay attorneys' fees.⁴³ Besides one conclusory statement in their Motion,⁴⁴ Defendants have made no reasonable attempt to show that they are unable to acquire funds from sources other than the assets the Court has currently frozen. Defendant Prusinowski has not put anything on the record under oath regarding his efforts to obtain funds to pay Gordon Rees. In sum, Defendants have other options, and should not be allowed to satisfy any obligation to their

³⁹ Doc. No. 38 at 10 ("The Receiver has also been advised that Defendants have secured replacement counsel, Greg Christiansen at Guardian Law and Philip Martin at Vallis Legal. Their representation has been secured with resources provided by others."). It is remarkable that Defendants here seek nearly \$400,000 in legal fees for one set of counsel, while paying another. The fact that money is available for payment to Defendants' new counsel is a basis to deny the request for fees from frozen funds.

⁴⁰ Doc. No. 19 at 4-7.

⁴¹ *Id.* at 5-7.

⁴² *See supra* at n. 39; *see also infra* at n. 43.

⁴³ Doc No. 38 at n. 12 ("The Receiver has excluded from this list Defendant Prusinowski's personal Charles Schwab Platinum Card (x91000)...the TRO Order does not forbid Mr. Prusinowski from incurring charges on personal credit cards. *See* TRO Order § III ¶ C & § IV ¶ A.").

⁴⁴ Doc. No. 35 at 9.

attorneys using funds that are being held for possible use to provide partial refunds to injured consumers.

IV. Gordon Rees' Request to Withdraw as Counsel of Record

The FTC does not oppose Defendants' request to withdraw as counsel of record if this Court denies Defendants' request to unfreeze additional funds. On October 10, 2024, the FTC was contacted by Defendants' new counsel Greg Christiansen and Philip Martin. Further, on October 18, 2024, Defendants' new counsel confirmed that they would be lead counsel on this case going forward, including by defending upcoming depositions. New counsel's position as lead counsel also raises significant questions about the \$150,000 request for future fees for Gordon Rees.

V. Conclusion

For all the foregoing reasons, Plaintiff urges this Court to deny Defendants' Motion in its entirety.

Respectfully submitted,

Dated: October 25, 2024

/s/ Ryan McAuliffe

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Attorneys for Plaintiff
FEDERAL TRADE COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on October 25, 2024, I caused a copy of the foregoing Plaintiff's Opposition to Defendants' Motion and Memorandum for Fees Incurred to Date, and Additional Fees to Continue to Defend, or in the Alternative, to Withdraw as Counsel of Record to be served on all counsel of record by Operation of the Court's electronic filing system.

/s/Ryan McAuliffe
Ryan McAuliffe

PX 12

DECLARATION OF RUFUS L.M. JENKINS
PURSUANT TO 28 U.S.C. § 1746

I, Rufus L.M. Jenkins, hereby state that, unless otherwise specified, I have personal knowledge of the facts set forth below, and if called as a witness, would testify competently thereto as follows:

1. I am a United States citizen over the age of 18. I am employed by the Federal Trade Commission (“FTC”) as a forensic accountant in the Bureau of Consumer Protection’s Division of Litigation Technology & Analysis (“DLTA”). I have worked with the FTC since April 2019, first in the Bureau of Consumer Protection’s Division of Financial Practices as an investigator and, starting in October 2020, in DLTA as a forensic accountant. Before that, I worked for eight years in a forensics practice at one of the Big Four public accounting firms. I earned my Master of Accountancy and Master of Business Administration from Mercer University. I am a licensed Certified Public Accountant and a Certified Fraud Examiner. My office address is 600 Pennsylvania Avenue, NW, Mail Stop CC-9111, Washington, DC 20580.

2. In my capacity as a forensic accountant at the FTC, I was assigned to work on the FTC’s investigation of Empire Holdings Group LLC, also doing business as Ecommerce Empire Builders and Storefunnels.net, (collectively, the “Corporate Defendant”) and Peter Prusinowski, also known as Peter Pru, (the “Individual Defendant”). Throughout this declaration, I will refer to the subjects of the FTC’s investigation collectively as “Defendants.” FTC Counsel informed me that the Defendants sell online business opportunity services that can exceed \$2,000.00.

3. This declaration sets forth my analysis of the net revenue received by the Defendants from their business opportunity services.

4. Pursuant to compulsory process issued by the FTC, the FTC obtained account records from Stripe, PayPal, and TD Bank relating to the Corporate Defendant’s payments

received, payments sent, deposits, withdrawals, refunds, reversals, and chargebacks from January 1, 2021 to February 29, 2024 (the “relevant time period”). I have access to and maintain true and correct copies of all the records that I reviewed.

5. The account records produced by Stripe and PayPal include, among other things, counterparty information, unique transaction identifiers, dates, amounts (the Stripe amounts are in cents which I converted to dollars and cents), an indication of whether a transaction was a debit (money out) or credit (money in), and, usually, a brief reason for a transaction.

6. For the Corporate Defendant’s TD Bank accounts, summaries for activity up through February 29, 2024 were prepared using a financial investigation tool from Actionable Intelligence Technologies, Incorporated, called “Comprehensive Financial Investigations Solution” (“CFIS”). Numerous other government agencies also use CFIS, including, but not limited to, the Internal Revenue Service, the FBI, the Organized Crime Drug Enforcement Task Force, several U.S. Attorney’s offices, and the United States Secret Service. Among other things, CFIS uses proprietary technology to convert paper and/or electronic account records from financial institutions into an investigative database that can be searched, analyzed, and used to issue a variety of reports, Microsoft Excel spreadsheets, and other exhibits.

7. The first step in using CFIS is to load the relevant account statements. After the statements are loaded, CFIS imports and processes the statements using Intelligent Document Analyzers that rely on proprietary algorithms and Optical Character Recognition technology to create a searchable database. Intelligent Document Analyzers are document format readers associated with a particular bank or financial statement. After a statement has been indexed and processed, the CFIS database record for that statement is reconciled in CFIS with the original version of the statement obtained in the proceeding (*i.e.*, the statement produced by a bank or

financial institution) to ensure accuracy of its details, such as the account a transaction is associated with, the date a transaction posted to an account, the transaction amount, transaction category codes, and whether the transaction is an inflow or outflow of funds.

8. In the instant matter, CFIS was used to generate a table containing the financial transactions for each of the Corporate Defendant's TD Bank accounts. The table was then exported into Excel. A review of the transactions within the Excel spreadsheet along with, in numerous instances, the underlying data, including copies of deposited items, checks paid, and wire notices, allowed counterparties to be identified. Counterparties were then researched, using publicly available information, to better understand whom money flowed to or from and to help make connections. In numerous instances, a brief description of the nature of a transaction (*e.g.*, "merchant credit" or "apparent consumer deposit") or, in some instances, a remark (*e.g.*, "asset diversion") was included to add clarity and aid in identifying sources and uses of funds. Details of checks paid were also entered into the Excel spreadsheet.

9. I reviewed the documents from Stripe, PayPal, and the summaries created of the TD Bank accounts to summarize the Defendants' revenue, refunds, chargebacks, reversals, and net revenue related to business opportunity services during the relevant time period.

Net Revenue of Business Opportunity Services

10. I calculated the estimated net revenue the Defendants received in their accounts at Stripe, PayPal, and TD Bank from their sale of online business opportunity services during the period January 1, 2021 through February 29, 2024. By my calculation, I estimate their combined net revenue is around \$9,247,627.73 during the relevant time period. I summarize the net revenue in the table below.

Item Count	Defendant	Financial Service Provider\Last 4 Characters of Account	Gross Revenue	Chargebacks\ Reversals\ Refunds	Net Revenue
1	Ecommerce Empire Builders	Stripe – AsdA	\$7,539,149.30	(\$336,190.99)	\$7,202,958.31
2	Empire Holdings Group LLC	TD Bank – 9912	1,210,798.83	0.00	1,210,798.83
3	Empire Holdings Group LLC	Stripe – SXHp	729,679.03	(28,671.58)	701,007.45
4	Empire Holdings Group LLC	PayPal – 3916	286,855.09	(153,991.95)	132,863.14
Grand Total			\$9,766,482.25	(\$518,854.52)	\$9,247,627.73

11. Beginning with Stripe records, I added up the amounts in the “Transactions” tab, relying on the column headers “date_and_time,” “amount_cents,” “description,” “name_provided,” “email_provided,” “address_line_1,” and “customer_ip_address.” After finding transactions associated with the Individual Defendant’s name, email address, and current or previous addresses, I identified other transactions that list the same IP addresses.¹ Some of these transactions indicated they were a test. Therefore, I identified others designated as a test. I excluded payments to and from the Individual Defendant, transactions with the same IP address as the Individual Defendant, and test transactions. Transactions were frequently in common amounts and, in numerous instances, included a description of an online business opportunity service, such as “storefunnel,” “100 Winning Products,” “sales funnel,” “funnel review,” or “automated email.” I also added up amounts of transactions when the description included “invoice,” “subscription creation,” “null,” “payment to peterpru.com,” or “Peter Pru Empire Builder” and the payment received exceeded \$2,000.00. From this amount, I deducted funds linked to the purchase of a business opportunity service that were returned to consumers during the relevant time period shown in the “Refunds” and “Chargebacks” tabs. In Refunds, I relied upon the data in the column header “charge_id,” “refund_date,” and “refund_amount_cents.” I also created formulae that uses a VLOOKUP function to find refunds associated with the

¹ An IP (Internet Protocol) address is a uniquely-identifying string of numbers assigned to each Internet-connected device or any device connected to a network. See <https://www.whatismyip.com/>.

revenue identified above or that have the same charge ID as one of the transactions identified as associated with the Individual Defendant. Since the Defendant-related revenue was excluded, I left out the refunds connected to the Individual Defendant, too. In Chargebacks, I relied upon the data in the column header “date_and_time_of_dispute,” “request__amount_in_usd,” and “status.” It is my understanding that chargebacks “lost” result in payments to consumers from the Defendants. I also created a formula that uses a VLOOKUP function to find chargebacks associated with the revenue identified above. My calculation is based on the gross receipts; in other words, I did not subtract any fee that Stripe charged to use its service. During the relevant time period, by my calculation, I estimate that through Stripe the Defendants received \$8,268,828.33 and returned \$364,862.57, for a net of \$7,903,965.76, associated with their sales of business opportunity services.

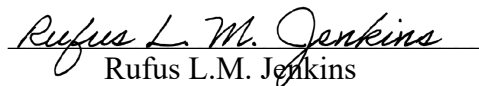
12. Continuing with the PayPal data, I added up the US dollar equivalent amounts of payment inflows (credit) into the PayPal accounts based on the column headers “Parent Txn ID,” “Updated Date,” “Balance Impact [Fiat],” “Transaction Type,” “Status,” “Item Title,” “Subject,” “Notes,” and “Counterparty Name.” Furthermore, I totaled the “parent” transactions with a Status of “completed” or “reversed” and that were updated during the relevant time period. These inflows were frequently in common amounts and, in numerous instances, included a description of an online business opportunity service, such as “store,” “platinum,” “funnel,” “100 Winning Products for \$1,” “rabbit,” “automated ads,” “automated email,” “fast track 3 months,” or “inner circle” in Item Title. I also added up transactions with a blank Item Title when the transaction amount is greater than \$2,000.00. From this amount, I deducted chargebacks and reversals of the revenue identified above as well as refunds during the relevant time period, relying on some of the same column headers as above. First, I totaled the outflows (debit)

designated as a “chargeback,” “payment refund,” or “Instant Payment Review (IPR) reversal” Transaction Type. Second, I added up the outflow of payments regarding a refund according to the Item Title or Note. I excluded payments to and from the Individual Defendant. My calculation is based on the gross receipts; I did not subtract any fee that PayPal charged to use its service. During the relevant time period, by my calculation, I estimate that through PayPal the Defendants received \$286,855.09 and returned \$153,991.95, for a net of \$132,863.14, associated with their sales of business opportunity services.

13. Moving to the TD Bank data, I calculated the amount of funds the Defendants received due to the likely sale of their business opportunity services. To do this, I totaled amounts from wires that do not specifically reference an “online course” or “accelerator program.” Wires were frequently in common amounts that exceeded \$2,000.00 and, in numerous instances, included a description of a business opportunity service, such as “funnel” or “business in a box,” as the reason for the payment. The wires were from a mix of individuals and businesses. During the relevant time period, by my calculation, I estimate that through TD Bank the Defendants received \$1,210,798.83 and returned \$0.00, for a net of \$1,210,798.83, associated with their sales of business opportunity services.

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

Executed this 30th day of September 2024.


Rufus L.M. Jenkins

PX 13

STEPHEN R. FREELAND, ESQ.
SFREELAND@GRSM.COM
DIRECT DIAL: (301) 404-1077



October 16, 2024

VIA E-MAIL

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Re: *FTC v. Empire Holdings Group, LLC, et al.*, GRSM Notice of Retaining Lien

Dear Kevin and Robin:

Please be advised that GRSM has a retaining lien as to \$231,358.50 now held in GRSM's trust account, which amount represents attorney's fees incurred to date in connection with the above-referenced matter. *See Smyth v. Fidelity & Deposit Co.*, 190 A. 398, *aff'd*, 192 A. 640 (Pa. 1937) ("right of an attorney to ... deduct his fees out of money which he has in his hands belonging to his client, and pay over the balance, is well recognized and enforced in Pennsylvania.") (collecting cases); *Berger Realty Group, Inc. v. Pullman*, 1986 WL 7418, *1 (E.D. Pa. June 25, 1986) ("A retaining lien is a common law lien of an attorney recognized under Pennsylvania law which attaches to all property, papers, documents and monies of the client coming into the attorney's hands during the course of his employment as security for fees and expenses due the attorney in connection with the professional relationship between attorney and client.") (citing *In re Professional Hockey Antitrust Litig.*, 371 F. Supp. 742, 747 (E.D. Pa. 1974)).

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen R. Freeland".

Stephen R. Freeland

cc: Greg Christiansen, Esq.
Philip Martin, Esq.
Amanda Grier, Esq.
Ryan McAuliffe, Esq.

PX 14

DECLARATION OF MARK JOYNER

PURSUANT TO 28 U.S.C. § 1746

I, Mark Joyner, have personal knowledge of the facts and matters set forth below. If called as a witness, I could and would testify as follows:

1. I am over the age of 18 years old and am employed as an Investigator with the Federal Trade Commission's ("FTC") Division of Marketing Practices. My work address is FTC Headquarters, 600 Pennsylvania Ave NW, Washington, DC 20580. I have personal knowledge of the facts stated in this declaration and, if called as a witness, I would testify to the facts set forth below.
2. On September 18, 2024, the FTC filed a civil enforcement action in the United States District Court for Eastern District of Pennsylvania ("the court") against Ecommerce Empire Builders, and Peter Prusinowski ("Prusinowski").
3. On September 20, 2024, the court entered a temporary restraining order ("TRO").

PRUSINOWSKIS' FINANCIAL DISCLOSURES

4. On September 25, 2024, Prusinowski submitted the *Federal Trade Commission Financial Statement of Individual Defendants* forms and signed the forms under penalty of perjury.
5. The disclosures were incomplete, and Prusinowski stated the following excuses for multiple entries:
 - a. "This information is believed to be in the possession of the company's accounting firm. Mr. Prusinowski and counsel have each requested this information several times since the TRO's entry but it has not yet been provided."
 - b. "Because Mr. Prusinowski has no access to this account (after the TRO's entry, the Receiver assumed access and changed the log in and password information), Mr. Prusinowski is not able to identify the current balance at this time."
6. Prusinowski provided an email update to his financial disclosures on October 24, 2024.

7. Below is a summary of the best estimate of Prusinowski's initial personal financial disclosure, email update, and responses from financial institutions:

Name on Account	Financial Institution	Account Number	Current Balance
Peter Prusinowski	Coinbase	36d8	\$25,077.41
Peter Prusinowski	American United Life Insurance Company	9440	\$197,853.25 cash surrender value
Peter Prusinowski	Safe Deposit Box	N/A	3 Rolex Watches- \$31,650
Peter Prusinowski	Safe Deposit Box	N/A	Gold and Silver Bullion- \$115,000
Peter Prusinowski	1935 Oakmont Ct Jamison, PA 18929	N/A	1 Rolex Watch- \$12,000
Peter Prusinowski	N/A	N/A	\$15,000 month after taxes salary
Peter Prusinowski	TD Bank	4093	\$4,259.63
Peter Prusinowski	TD Bank	9904	\$15,432.17
Peter Prusinowski	TD Bank	9386	\$2,040.64
Peter Prusinowski	Acorns, Security, LLC	N/A	Approximately \$100,000
Peter Prusinowski	Fundrise Real Estate Investment Trust	N/A	Approximately \$20,000
Peter Prusinowski	Fidelity Investments HSA Account	N/A	Approximately \$5,000
Peter Prusinowski	Lofty.Ai	N/A	\$500.00

Peter Prusinowski	Bettlement Securities	N/A	Approximately \$10,000
Peter Prusinowski	Capital One/Amerifunds	N/A	Approximately \$200,000

8. From this information, I estimate that Prusinowski has approximately \$753,542.46 in personal assets frozen.

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

Executed on October 24, 2024, in Washington, DC

/s/ Mark Joyner

Mark Joyner

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

EMPIRE HOLDINGS GROUP LLC, also d/b/a
ECOMMERCE EMPIRE BUILDERS and
STOREFUNNELS.NET, a limited liability
company, and

PETER PRUSINOWSKI, aka PETER PRU,
individually and as an officer of Empire Holdings
Group LLC,

Defendants.

Case No. 2:24-CV-4949-WB

**[PROPOSED] ORDER DENYING IN
PART AND GRANTING IN PART
DEFENDANTS' MOTION FOR FEES
INCURRED TO DATE, AND
ADDITIONAL FEES TO CONTINUE
TO DEFEND, OR IN THE
ALTERNATIVE, TO WITHDRAW
AS COUNSEL**

Before the Court is the Defendants' Motion to for Fees Incurred to Date, and Additional Fees to Continue to Defend or, in the Alternative, to Withdraw as Counsel of Record, filed by Defendants Empire Holdings Group LLC, d/b/a Ecommerce Empire Builders and Storefunnels.net, and Peter Prusinowksi a/k/a Peter Pru. The Court has reviewed and considered Defendants' Motion and Plaintiff's Opposition, Doc. No. 41. It is hereby

ORDERED that the Motion is GRANTED in part and DENIED in part; and it is further

ORDERED that Defendants' request for fees incurred to date and additional funds to pay for fees and costs to prepare for the preliminary injunction show cause hearing presently set for November 12, 2024, is DENIED; and it is further

ORDERED that Defense Counsel's request to withdraw as counsel of record is GRANTED.

SO ORDERED, this _____ day of _____, 2024.

WENDY BEETLESTONE, J.
UNITED STATES DISTRICT JUDGE