Public Matter

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STATE BAR COURT

HEARING DEPARTMENT - LOS ANGELES

In the Matter of: MICHAEL JOHN AVENATTI, No. 206929, A Member of the State Bar.	Case No. SBC-19-TE-30259 APPLICATION FOR INVOLUNTARY INACTIVE ENROLLMENT; MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF GREGORY BARELA; DECLARATION OF STEVEN E. BLEDSOE; DECLARATION OF DAVID J. SHEIKH; DECLARATION OF JOY NUNLEY (OCTC Case No. 19-TE-16715) [Bus. & Prof. Code § 6007(c)(2); Rules Proc. of the State Bar, Rule 5.225, *et. seq.*]

WARNING!

WITHIN TEN DAYS FROM THE DATE OF SERVICE OF THIS APPLICATION, YOU MUST FILE A VERIFIED RESPONSE AND REQUEST A HEARING AS PROVIDED IN RULE 5.227 OF THE RULES OF PROCEDURE OF THE STATE BAR. IF YOU FAIL TO TIMELY FILE A VERIFIED RESPONSE AND REQUEST FOR HEARING, YOUR RIGHT TO A HEARING WILL BE WAIVED PURSUANT TO RULE 5.227 OF THE RULES OF PROCEDURE OF THE STATE BAR OF CALIFORNIA, AND ANY PREVIOUSLY SCHEDULED HEARING(S) WILL BE CANCELLED.

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TO THE HEARING DEPARTMENT OF THE STATE BAR COURT, RESPONDENT MICHAEL JOHN AVENATTI, AND ELLEN ANNE PANSKY, RESPONDENT'S COUNSEL:

PLEASE TAKE NOTICE THAT the Office of Chief Trial Counsel of the State Bar of California ("State Bar"), by and through Senior Trial Counsel Eli D. Morgenstern, hereby petitions the Court for an Order enrolling respondent Michael John Avenatti ("respondent") as an involuntary inactive member of the State Bar of California pursuant to Business and Professions Code section 6007(c)(2).

Business and Professions Code section 6007(c)(2) provides that the State Bar Court may order the involuntary inactive enrollment of an attorney if it finds that:

(1) the attorney has caused or is causing substantial harm to the attorney's clients or the public;

(2) there is reasonable probability that the State Bar will prevail on the merits in a disciplinary proceeding; and

(3) there is a reasonable probability that the attorney will be disbarred.

The State Bar attaches to this Application clear and convincing evidence that respondent committed the following acts of misconduct which caused, and is causing, substantial harm to respondent's client, Mr. Gregory Barela, for which there is a reasonable probability that the State Bar will prevail in a disciplinary proceeding and respondent will be disbarred:

(1) on December 28, 2017, respondent provided Mr. Barela with a fabricated settlement agreement;

(2) between January 5, 2018, and March 14, 2018, respondent concealed the status of Mr. Barela's settlement funds and intentionally and dishonestly misappropriated nearly $840,000 of Mr. Barela settlement funds for respondent's own personal use;

(3) between March 10, 2018, and November 2018, respondent repeatedly responded to Mr. Barela's inquiries concerning the status of his settlement funds

with lies and evasions;

(4) respondent never provided Mr. Barela with an accounting of Mr. Barela's settlement funds despite Mr. Barela's multiple requests; and

(5) to date, respondent still owes Mr. Barela approximately $710,000.

Further, despite the State Bar's request, respondent has not provided the State Bar with a substantive response—let alone a defense—to these charges nor any evidence to refute the allegations. Accordingly, as explained in detail in sections IV and V herein, the Standards for Attorney Sanctions for Professional Misconduct and the relevant case law provide that disbarment is the appropriate level of discipline for respondent's misconduct.

Moreover, there are criminal matters pending against respondent in the United States District Court for the Southern District of New York and the United States District Court for the Central District of California involving bribery and embezzlement of client funds.[1]

Accordingly, the State Bar respectfully submits that each factor required by Business and Professions Code section 6007(c)(2) is established by clear and convincing evidence. Namely, that: (1) respondent has caused substantial harm to Mr. Barela and respondent's other clients; (2) there is a reasonable probability that the State Bar will prevail on the merits in a disciplinary proceeding; and (3) there is a reasonable probability that respondent will be disbarred.

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[1] For example, on March 24, 2019, the United States Attorney for the Southern District of New York, in a matter titled *United States of America v. Michael John Avenatti*, United States District Court, Southern District of New York, case number 1:19-mj-02927-UA-1, filed charges against respondent alleging that respondent tried to extort millions of dollars from Nike, Inc., the apparel company.

On April 10, 2019, the United States Attorney for the Central District of California filed a 36-count Indictment against respondent charging him with, among other things, the embezzlement of client funds from four different clients, including the embezzlement of Mr. Barela's funds, in a matter titled *United States of America v. Michael John Avenatti*, United States District Court, Central District of California (Southern Division), case number SA CR 19-00061 (JVS).

On May 22, 2019, the United States Attorney for the Southern District of New York filed an indictment against respondent charging him with, among other things, embezzlement of client funds involving a fifth different client, in a matter titled *United States of America v. Michael John Avenatti*, United States District Court, Southern District of New York, case number 19 Cr. 374.

Therefore, the State Bar respectfully submits that an Order enrolling respondent involuntarily inactive is warranted.

The State Bar hereby waives hearing on this application and requests that this matter be submitted upon the pleadings filed herein. However, should respondent file a response contesting the within application pursuant to rule 5.227 of the Rules of Procedure of the State Bar, the State Bar hereby requests a hearing in this matter.

The State Bar has not yet filed a notice of disciplinary charges, and there are no pending notice of disciplinary charges against respondent as of the date of this application.

This application is based on the attached Memorandum of Points and Authorities, the attached Declarations of Gregory Barela, Steven E. Bledsoe, Esq., David J. Sheikh, Esq., and Joy Nunley, the exhibits attached to these declarations, and the records referenced herein of which the State Bar has requested this Court to take Judicial Notice.

Respectfully submitted,

THE STATE BAR OF CALIFORNIA
OFFICE OF CHIEF TRIAL COUNSEL

DATED: June 3, 2019

By: _____
Eli D. Morgenstern
Senior Trial Counsel

MEMORANDUM OF POINTS AND AUTHORITIES

I. Business And Professions Code Section 6007(c)(2) Identifies The Factors To Be Considered By The Court In Determining Whether To Issue An Order Authorizing The Transfer Of An Attorney To Involuntary Inactive Status; And Rule 5.231 of the Rules of Procedure of the State Bar of California Establishes The State Bar's Burden Of Proof

Business and Professions Code section 6007(c)(2) provides as follows:

> The State Bar Court may order the involuntary inactive enrollment of an attorney if it finds, based on all the available evidence, including affidavits:
>
> (A) The attorney has caused or is causing substantial harm to the attorney's clients or the public.
>
> (B) There is a reasonable probability that the chief trial counsel will prevail on the merits of the underlying disciplinary matter, and the attorney will be disbarred.

Pursuant to Rule 5.231(B) of the Rules of Procedure of the State Bar of California, the State Bar must prove each factor required by Business and Professions Code section 6007(c)(2) by clear and convincing evidence.

II. Rule 5.226 Of The Rules Of Procedure Of The State Bar Of California Outline The Requirements Of An Application For Involuntary Inactive Enrollment Pursuant To Business And Professions Code Section 6007(c)(2)

Rule 5.226(A) of the Rules of Procedure of the State Bar of California provides, in relevant part that, in order to begin a proceeding under Business and Professions Code section 6007(c)(2) in State Bar Court, the State Bar must file with the Clerk of the State Bar Court a verified application with supporting documents.

Rule 5.226(C) provides that the "application must state with particularity facts showing that the member's conduct poses a substantial threat of harm to the member's clients or the public as required under" Business and Professions Code section 6007(c)(2). The application

must be supported by declarations, transcripts, or requests for judicial notice.

Rule 5.226(D) provides that when there is no pending disciplinary proceeding, as is the case here, the application itself must:

(1) cite the statutes, rules, or court orders allegedly violated, or that warrant involuntary inactive enrollment; and

(2) state the particular acts or omissions that constitute the alleged violation or violations, or that form the basis for warranting involuntary inactive enrollment.

III. Statement of Facts Demonstrating Respondent's Misconduct Poses A Substantial Threat Of Harm To His Clients And The Public

The facts set forth below are derived from the attached: (1) Declaration of Gregory Barela, and the exhibits attached thereto; (2) Declaration of Steven E. Bledsoe, and the exhibits attached thereto; (3) Declaration David J. Sheikh, and the exhibits attached thereto; and (4) Declaration of Joy Nunley, and the exhibits attached thereto.

A. Background Facts

On July 8, 2014, Mr. Gregory Barela entered into a fee agreement to employ respondent and his law firm, Eagan Avenatti, LLP, to represent him in an intellectual property dispute with the Settling Party.[2] (Declaration of Gregory Barela, hereinafter, "Barela Declaration," ¶2, and Exhibit 1 attached thereto.) Pursuant to the fee agreement, respondent was entitled to receive a contingency fee of 40 percent of any settlement recovery obtained on Mr. Barela's behalf to be paid from the initial disbursement of settlement funds by the Settling Party. (Barela Declaration, ¶2, and Exhibit 1 attached thereto.)

Respondent filed a lawsuit in federal court on Mr. Barela's behalf against the Settling Party alleging multiple causes of action. Thereafter, the Settling Party and Mr. Barela entered into arbitration. (Barela Declaration, ¶3.)

[2] The corporation is not identified by name due to the confidentiality of the settlement agreement.

On December 20, 2017, respondent, on behalf of Mr. Barela, and Mr. David J. Sheikh, the Settling Party's attorney, agreed to a final compromise and settlement of the arbitration, with the Settling Party agreeing to pay a total of $1.9 million to Mr. Barela, in four annual installments. According to the terms of the agreement in principle, the first payment to be paid to Mr. Barela was in the amount of $1.6 million, with three subsequent annual payments of $100,000 each. (Declaration of David J. Sheikh, hereinafter, "Sheikh Declaration," ¶4.)

Between December 22, 2017, and December 28, 2017, respondent and Mr. Sheikh negotiated a written settlement agreement on behalf of their respective clients. The final written settlement agreement required the Settling Party to make an initial payment of $1.6 million by January 10, 2018, and three additional payments of $100,000 by January 10 of 2019, 2020, 2021, respectively, for a total of $1.9 million. (Sheikh Declaration, ¶5.)

B. Respondent's December 28, 2017 Presentation of Fabricated Settlement Agreement to Gregory Barela

On December 28, 2017, at respondent's request, Mr. Barela met with respondent at his law firm's offices in Newport Beach, California, in order to sign a purported settlement agreement that respondent had negotiated with the Settling Party on Mr. Barela's behalf. (Barela Declaration, ¶4.)

The settlement agreement that respondent presented to Mr. Barela on December 28, 2017 to sign required the Settling Party to make an initial payment of $1.6 million by March 10, 2018, and three additional payments of $100,000 by March 10 of 2019, 2020, 2021, respectively, for a total of $1.9 million. Respondent also told Mr. Barela that the settlement payments were payable in March of each year. (Barela Declaration, ¶5, and Exhibit 2 attached thereto.)

Unbeknownst to Mr. Barela on December 28, 2017, the actual settlement agreement negotiated by respondent on Mr. Barela's behalf required the Settling Party to make the initial payment of $1.6 million by January 10, 2018, and the three additional payments of $100,000 by January 10 of 2019, 2020, 2021, respectively. (Barela Declaration, ¶6.) Mr. Barela was unaware of the January payment dates because the version of the settlement agreement that respondent

provided to him on December 28, 2017 to sign included the falsified March payment dates. (Barela Declaration, ¶7.)

On December 28, 2017, respondent emailed only the signature page for the settlement agreement, bearing Mr. Barela's signature, to Mr. Sheikh. (Sheikh Declaration, ¶6.)

C. Respondent's Concealment of the Receipt and Intentional Misappropriation of Mr. Barela's Settlement Funds

After Mr. Barela signed the settlement agreement, he asked respondent how much money he would receive in total after paying respondent's contingency fee and costs. Respondent represented to Mr. Barela that respondent believed that the costs were between $100,000 and $125,000, but that his office manager/paralegal was conducting a final accounting of costs. Based on these representations, respondent told Mr. Barela that he would receive over $1 million of the settlement proceeds. (Barela Declaration, ¶8.)

On December 29, 2017, Mr. Sheikh emailed respondent a fully executed settlement agreement with Mr. Barela's and the Settling Party's signatures, which included the actual payment schedule that respondent and Mr. Sheikh had negotiated on behalf of their respective clients with the January payment dates. (Sheikh Declaration, ¶7, and Exhibit 1 attached thereto.)

On January 2, 2018, respondent sent an email to Mr. Sheikh specifying the client trust account and providing wiring instructions for the Settling Party to make the settlement payments according to the settlement agreement. (Sheikh Declaration, ¶8.)

On January 3, 2018, Mr. Barela requested an accounting of costs from respondent. Respondent received the request. However, respondent never provided Mr. Barela with the requested accounting. (Barela Declaration, ¶8.)

On January 5, 2018, the Settling Party made the initial $1.6 million settlement payment by wire transfer to the client trust account specified by respondent on January 2, 2018. (Sheikh Declaration, ¶9; Declaration of Joy Nunley, hereinafter, "Nunley Declaration," ¶¶7, 8, and 10, and Exhibits 1 and 2 attached thereto.)

The initial $1.6 million settlement payment was wired into an account at City National

Bank, account no. xxxxx5566.[3] The account is titled, "Michael J. Avenatti Attorney Client Trust Account (BAR Settlement)" ("Barela CTA"). (Nunley Declaration, ¶7, and Exhibit 1, at p. 7, and Exhibit 2 attached thereto.)

After receiving the $1.6 million settlement installment payment on January 5, 2018, at no time thereafter did respondent ever notify Mr. Barela that respondent received the initial $1.6 million settlement payment on his behalf from the Settling Party or provide Mr. Barela with an accounting concerning those funds. (Barela Declaration ¶49.)

Pursuant to the fee agreement, respondent was entitled to receive $760,000 (40% of the total $1.9 million) as his fees from the initial $1.6 settlement installment. (Barela Declaration, ¶2, and Exhibit 1 attached thereto.) Mr. Barela's portion of the initial $1.6 million settlement installment was $840.000 less respondent's costs. Respondent was required to maintain $840,000 in the Barela CTA until respondent produced an accounting of costs and Mr. Barela authorized respondent to withdraw the costs.

Mr. Barela never authorized respondent to disburse any portion of Mr. Barela's portion of the initial $1.6 million payment to any person or entity other than himself. (Barela Declaration, ¶50.) At all relevant times, Mr. Barela planned to use a portion of his settlement proceeds to finance business ventures that he had started. (Barela Declaration, ¶11.)

Mr. Barela never authorized respondent to use any portion of Mr. Barela's portion of the initial $1.6 million payment for respondent's own personal use. (Barela Declaration, ¶51.)

Respondent never issued a check from the Barela CTA made payable to himself or his law firm in the amount of his contingency fee of $760,000, or otherwise disbursed that amount in one lump sum to himself or his law firm. (Nunley Declaration, ¶¶7, 8, 9, 10, and Exhibit 1, at pp. 7-21, 25-35, and Exhibits 2-3 attached thereto.)

Instead, respondent made numerous withdrawals from the Barela CTA for his own personal use. (Nunley Declaration, ¶10, and Exhibit 1, at pp. 7-21, 25-35, and Exhibits 2-3 attached thereto.) Prior to making any disbursement of settlement funds to, or for the benefit of,

[3] The full account number is omitted for privacy reasons.

Mr. Barela, and without his knowledge or consent, respondent intentionally and dishonestly misappropriated $839,390.27 entitled to Mr. Barela by disbursing to himself and other third parties nearly the entirety of Mr. Barela's settlement proceeds for his own personal use:

a. The balance in the Barela CTA prior to the January 5, 2018 wire transfer was $0.

b. By January 8, 2018, the balance in the Barela CTA decreased to $924,089.25, due to respondent's use of funds from Mr. Barela's settlement recovery to purchase a cashier's check in the sum of $617,840.44 to pay Edward Ricci, a Florida attorney.

c. By January 10, 2018, the balance in the Barela CTA decreased to $760,036.25 (i.e., within five days after receipt of Mr. Barela's funds, respondent failed to maintain the balance in the Barela CTA required to be preserved for Mr. Barela).

d. By March 9, 2018, the balance in the Barela CTA decreased to $4,621.73.

e. By March 10, 2018—the date that Mr. Barela anticipated respondent would receive the first installment of the settlement funds—respondent had already disbursed to himself or other third parties approximately $835,378.27 (i.e., 99% of the $840,000 respondent was required to maintain in the Barela CTA).

f. By March 14, 2018, the balance in the Barela CTA decreased to $609.73. Accordingly, respondent intentionally and dishonestly misappropriated $839,390.27 ($840,000 - $609.73) of Mr. Barela's settlement funds for his own personal use. (Nunley Declaration, ¶¶7, 8, 9, and 10, and Exhibit 1, at pp. 7-21, 25-35, and Exhibits 2-3 attached thereto; Barela Declaration, ¶¶50-51.)

D. Between March 10, 2018, and December 2018, Respondent Engaged in a Course of Deceit by Repeatedly Lying in Response to Mr. Barela's Inquiries about the Initial $1.6 Million Settlement Payment

Pursuant to the fabricated settlement agreement that respondent provided to Mr. Barela on December 28, 2017, Mr. Barela anticipated that the first settlement payment would occur on March 10, 2018. (Barela Declaration, ¶8.)

At no time between January 5, 2018, and March 10, 2018, or at any time thereafter, did respondent notify Mr. Barela of respondent's receipt of the initial $1.6 million settlement payment or the terms of the actual settlement agreement. Between March 10, 2018 and December 3, 2018, respondent actively misrepresented to Mr. Barela the status of his settlement funds by repeatedly causing Mr. Barela to believe that respondent had not yet received Barela's funds due to the Settling Party's refusal to remit funds to respondent or Mr. Barela as required pursuant to the settlement agreement, as follows:

- On the morning of March 10, 2018, Mr. Barela sent a text message to respondent stating that he "was just thinking is this a big day from our friends at [Settling Party]?" (Barela Declaration, ¶9, and Exhibit 3 attached thereto.)
- On March 12, 2018, Mr. Barela sent a text message to respondent containing his account information in order to enable respondent to send Mr. Barela a wire transfer of his portion of the $1.6 million payment. (Barela Declaration, ¶10, and Exhibit 4 attached thereto.)
- On March 13, 2018, Mr. Barela sent another text message to respondent asking if there was "any word on that wire from [Settling Party]?" Mr. Barela asked respondent to let him know and sought an update regarding his settlement payment. (Barela Declaration, ¶11, and Exhibit 5 attached thereto.)
- On March 14, 2018, Mr. Barela sent a text message to respondent stating, "Hi Michael[,] just checking in on the [Settling Party] issue. I've been going pretty deep and credit cards and a little loan to keep both businesses going. Any updates?" (Barela Declaration, ¶11, and Exhibit 6 attached thereto.) Respondent did not respond in writing. (Barela Declaration, ¶11.)
- On March 19, 2018, Mr. Barela sent a text message to respondent telling respondent that Mr. Barela wanted to be "aggressive with [Settling Party] this week" and asked respondent to let him know if respondent heard anything from the Settling Party. (Barela Declaration, ¶12, and Exhibit 7 attached thereto.)

- On March 21, 2018, Mr. Barela sent a text message to respondent, "Any word from [Settling Party]?" (Barela Declaration, ¶13, and Exhibit 8 attached thereto.) Respondent received the text message but did not respond in writing. (Barela Declaration, ¶13.)
- On March 22, 2018, Mr. Barela sent a text message to respondent asking, "Did they step up with the transfer? If not what are we doing next?" (Barela Declaration, ¶14, and Exhibit 9 attached thereto.) Respondent did not respond in writing to the text message. (Barela Declaration, ¶14.)
- On March 23, 2018, facing financial burdens, Mr. Barela sent respondent a text message that he needed help and was worried. Respondent replied to Mr. Barela's text message, stating, "Greg-don't worry. Let's chat tmrw. We will figure this out. Michael." (Barela Declaration, ¶15, and Exhibit 10 attached thereto.)

During this time period in March 2018, while respondent did not respond in writing to the texts described above, respondent did orally assure Mr. Barela that he was working to obtain the proceeds of the settlement agreement. Respondent stated that he had no idea what was going on with the settlement payment. Respondent stated that he had spoken with counsel for the Settling Party, and that counsel for the Settling Party was in disbelief that the Settling Party had not made the initial $1.6 million settlement payment. Respondent further stated that he genuinely believed that counsel for the Settling Party did not know or understand why the Settling Party had not made the payment. At some point during this time period, respondent informed Mr. Barela that another lawsuit would need to be filed in order to force the Settling Party to make the settlement payments. (Barela Declaration, ¶16.)

In one of their March 2018 phone conversations, respondent falsely informed Mr. Barela that i) respondent had spoken with Mr. Sheikh, counsel for the Settling Party, ii) Mr. Sheikh told respondent that Mr. Sheikh was in disbelief that the Settling Party had not made the initial $1.6 million settlement payment, iii) respondent genuinely believed that Mr. Sheikh did not know or

understand why the Settling Party had not made the payment, and iv) another lawsuit would need to be filed in order to force the Settling Party to make the settlement payments. (Barela Declaration, ¶16.)

In fact, at no time in March 2018, or at any time, did Mr. Sheikh say to respondent that he was in disbelief that the Settling Party had not made the initial $1.6 million settlement payment, or words to that effect. (Sheikh Declaration, ¶10.)

Given that Mr. Barela had relied on receiving his portion of the initial $1.6 million payment by March 2018, Mr. Barela was facing a dire financial situation. (Barela Declaration, ¶17.)

In April 2018, Mr. Barela sent respondent multiple text messages and emails, expressing concern due to his financial vulnerability and urgent need for the settlement funds. Respondent received the text messages and emails but continued to conceal from Mr. Barela the true status of his settlement funds. Instead, respondent continued to orally assure Mr. Barela over the telephone and in-person that respondent was working to obtain the proceeds of the settlement agreement, including statements to Mr. Barela that respondent would file a separate lawsuit in federal court on Mr. Barela's behalf to enforce payment pursuant to the settlement. (Barela Declaration, ¶22.) Furthermore, respondent agreed to provide and did provide a $60,000 "advance" loan to Mr. Barela to be repaid by Mr. Barela from the $1.6 million settlement payment that respondent received but continued to conceal, as follows:

- On April 2, 2018, Mr. Barela emailed respondent asking for a loan. Mr. Barela was in the early stages of setting up two businesses and he told respondent that he was "out of pocket about 250k for both businesses." (Barela Declaration, ¶17 and Exhibit 11 attached thereto.)
- During the evening of April 2, 2018, Mr. Barela sent a text message to respondent asking whether there was any word from the Settling Party regarding the settlement payment. Later that same evening, Mr. Barela spoke with respondent on the telephone and respondent assured Mr. Barela on the call that he was

working to make sure the Settling Party would make the settlement payment as soon as possible. Respondent also agreed to provide an advance of money to Mr. Barela while he was purportedly seeking payments from the Settling Party. (Barela Declaration, ¶17.) During the evening of April 2, 2018, Mr. Barela sent a text message to respondent stating, "Thanks again for the call. Whatever you can do is appreciated." Respondent replied to the text, "All good. No worries." (Barela Declaration, ¶17, and Exhibit 12 attached thereto.)

- On April 3, 2018, Mr. Barela sent respondent a text message asking him whether he was able to advance him "any amount if at all?" Respondent responded that that he could "probably send a wire tmrw." (Barela Declaration, ¶18, and Exhibit 13 attached thereto.)
- On April 5, 2018, Mr. Barela sent an email to respondent with his bank information in order to allow respondent to make a wire transfer of $60,000, the money respondent had agreed to advance to Mr. Barela. In the email, Mr. Barela also stated that he wanted to discuss his options for collections on the Settling Party. (Barela Declaration, ¶19, and Exhibit 14 attached thereto.) Shortly thereafter, Mr. Barela received a wire transfer of $60,000 from respondent. (Barela Declaration, ¶19.) The wire transfer did not emanate from the Barela CTA, as the balance in the Barela CTA was $609.87 by March 14, 2018, and there were no deposits made into the Barela CTA after the transfer of the initial $1.6 million settlement payment. (Nunley Declaration, ¶10.)
- On April 15, 2018, Mr. Barela sent another email to respondent asking respondent about the status of the settlement money from the Settling Party. Mr. Barela also asked about steps to take against the Settling Party if the money was not collected. Mr. Barela told respondent that he needed a plan as soon as possible as he was facing financial difficulties. (Barela Declaration, ¶20, and Exhibit 15 attached thereto.) Respondent did not respond in writing to the email. Instead, during a

telephone call, respondent assured Mr. Barela that respondent was filing another claim against the Settling Party in federal court in Los Angeles, California, and they were waiting for a response. (Barela Declaration, ¶22.)

- On April 22, 2018, Mr. Barela sent an email to respondent asking if the Settling Party responded. (Barela Declaration, ¶21, and Exhibit 16 attached thereto.) Again, on April 25, 2018, and April 26, 2018, Mr. Barela sent text messages to respondent asking whether there was any word from the Settling Party. (Barela Declaration, ¶21, and Exhibit 17 attached thereto.) Respondent did not respond in writing to the email and text messages. (Barela Declaration, ¶21.)

In May 2018, Mr. Barela continued to send respondent emails expressing concern due to his financial vulnerability and urgent need for the settlement funds. Respondent received the emails but continued to conceal from Mr. Barela the true status of his settlement funds. Instead, respondent continued to orally assure Mr. Barela over the telephone and in-person that respondent was working to obtain the proceeds of the settlement agreement, and provided an additional $30,000 "advance" to Mr. Barela to be repaid by Mr. Barela from his portion of the $1.6 million settlement installment that respondent received but continued to conceal, as follows:

- On May 7, 2018, Mr. Barela sent another email to respondent asking him what the next actions were against the Settling Party. Mr. Barela also told respondent, "If [Settling Party] does not pay soon I may need a little help in the next two weeks." (Barela Declaration, ¶23, and Exhibit 18 attached thereto.) Respondent received the email.
- On May 15, 2018, Mr. Barela sent an email to respondent explaining that since Mr. Barela planned on collecting the settlement in March and had not seen any of it, he was losing credibility with his other business ventures and his wife, and was now facing a difficult financial position. Mr. Barela asked respondent, "Did [Settling Party] respond or pay? If no[,] what are we filing this week?" (Barela Declaration, ¶24, and Exhibit 19 attached thereto.) Respondent received the email

but did not respond in writing. Instead, respondent and Mr. Barela had a telephone conversation wherein respondent agreed to provide another "advance" to Mr. Barela on the $1.6 million settlement payment. (Barela Declaration, ¶24.)

- On May 22, 2018, Mr. Barela sent an email to respondent containing wiring instructions for an additional loan from respondent. On May 22, 2018, respondent responded, "Got it. Thanks." (Barela Declaration, ¶25, and Exhibit 20 attached thereto.)
- On May 25, 2018, respondent provided an additional $30,000 "advance" to Mr. Barela to be repaid by Mr. Barela from his portion of the $1.6 million settlement installment that respondent received but continued to conceal. (Barela Declaration, ¶26.)

In June 2018, respondent continued to conceal from Mr. Barela the true status of his settlement funds and reassure Mr. Barela that respondent was working to obtain the proceeds of the settlement agreement. During this time frame, respondent stated to Mr. Barela that whenever he needed an advance of money, to let him know, and he would wire money to Mr. Barela, because the Settling Party matter was not resolved and he did not know when it would be (Barela Declaration, ¶28), as follows:

- On June 25, 2018, Mr. Barela sent an email to respondent containing a list of reminders for the week, including a reminder about filing a lawsuit against the Settling Party for failing to pay the $1.6 million due to him. (Barela Declaration, ¶27, and Exhibit 21 attached thereto.)
- On June 27, 2018, respondent advanced, or caused to be advanced, an additional $30,000 to Mr. Barela. (Barela Declaration, ¶29.)
- On June 29, 2018, Mr. Barela sent an email to the office manager/paralegal at respondent's law firm, Eagan Avenatti, LLP, and asked for a copy of the signed settlement agreement, which included the signatures from the Settling Party's representatives.

- When Mr. Barela went to their office a day or two later to get a fully executed copy of the settlement agreement, the office manager/paralegal came into the room with a document, which respondent reviewed before the office manager/paralegal handed it to Mr. Barela. The document that the office manager/paralegal gave Mr. Barela was a falsified copy of the settlement agreement (i.e., bearing the March payment dates) with a copy of the fully executed signature page from the actual settlement agreement. (Barela Declaration, ¶30.)

On August 15, 2018, Mr. Barela sent an email to respondent asking about initiating a lawsuit against the Settling Party for failing to abide by the terms of the settlement agreement and failing to make the $1.6 million payment. (Barela Declaration, ¶31, and Exhibit 22 attached thereto.)

On September 10, 2018, Mr. Barela sent respondent an email with wire instructions for an additional advance. (Barela Declaration, ¶32, and Exhibit 23 attached thereto.)

On September 11, 2018, respondent provided an additional $6,000 "advance" loan to Mr. Barela to be repaid by Mr. Barela from the $1.6 million settlement installment that respondent received but continued to conceal. (Barela Declaration, ¶33.)

Between October 10, 2018 and November 5, 2018, respondent continued to conceal from Mr. Barela the true status of his settlement funds and re-assure Mr. Barela that respondent was working to obtain the proceeds of the settlement agreement. During this time frame, Mr. Barela sent approximately seven combined text messages and emails to respondent expressing concern due to his financial vulnerability and urgent need for the settlement funds. In at least two of the correspondences, Mr. Barela requested copies of pleadings filed in the lawsuit respondent had purported to have filed to enforce the settlement agreement on Mr. Barela's behalf. Respondent received the emails but continued to conceal from Mr. Barela the true status of his settlement funds, as follows:

- On October 10, 2018, Mr. Barela sent respondent an email asking for an update on the status of collecting the settlement proceeds from the Settling Party. Mr. Barela also asked for more financial help, requesting an additional advance to "keep moving." (Barela Declaration, ¶34, and Exhibit 24 attached thereto.)
- On October 14, 2018, Mr. Barela sent an email to respondent asking if the Settling Party had responded and what the next steps were being taken to ensure payment. Mr. Barela stated, "It will be one year in December and they will owe the second payment in March . . . Can we discuss a go forward strategy till this is handled?" Mr. Barela also asked respondent for "a copy of the last thing that we filed." (Barela Declaration, ¶35, and Exhibit 25 attached thereto. Respondent did not respond in writing to Mr. Barela's October 14, 2018 email. (Barela Declaration, ¶39.)
- On October 17, 2018, Mr. Barela sent a text message to respondent expressing to him that Mr. Barela was in financial hardship and asking for another advance. (Barela Declaration, ¶36, and Exhibit 26 attached thereto.)
- On October 19, 2018, Mr. Barela sent a text message to respondent asking respondent if Mr. Barela could borrow money. (Barela Declaration, ¶37, and Exhibit 27 attached thereto.) Respondent did not respond in writing to Mr. Barela's October 17, 2018 or October 19, 2018 text messages. (Barela Declaration, ¶37.)
- On October 22, 2018, Mr. Barela sent an email to respondent again stressing the financial troubles Mr. Barela was facing. Mr. Barela told respondent that he was working on trying to get a loan from a third-party creditor and was trying to use the settlement agreement to secure it. Mr. Barela again asked for an update on the payment and what the next action steps would be. Mr. Barela also asked for copies of all the paperwork related to the alleged filing against the Settling Party so that Mr. Barela could use it to secure a personal loan. (Barela Declaration,

¶38, and Exhibit 28 attached thereto.) Respondent did not respond to Mr. Barela's October 22, 2018 email. (Barela Declaration, ¶38.)

- On October 28, 2018, Mr. Barela sent respondent a text message again highlighting Mr. Barela's dire financial situation. (Barela Declaration, ¶39, and Exhibit 29 attached thereto.)
- On October 28, 2018, Mr. Barela sent respondent another text message again asking respondent to forward the documents that had been filed against the Settling Party so that Mr. Barela could use them to secure a personal loan. (Barela Declaration, ¶39, and Exhibit 29 attached thereto.)
- On October 29, 2018, Mr. Barela sent another text message to respondent. On the same day, respondent replied that he would call Mr. Barela shortly. Later that same day, because Mr. Barela had not heard back from respondent, Mr. Barela sent respondent another text message. Respondent replied, "Let's chat in the am. Working on a solution." Mr. Barela responded by again stressing his financial difficulties. (Barela Declaration, ¶39, and Exhibit 29 attached thereto.)
- On October 30, 2018, Mr. Barela followed-up with respondent by sending him a text message that stated "any word." Respondent replied that he was "making progress." (Barela Declaration, ¶40, and Exhibit 30 attached thereto.)
- On October 31, 2018, Mr. Barela sent a text message to respondent with wire information for an additional advance. (Barela Declaration, ¶41, and Exhibit 31 attached thereto.)
- On November 5, 2018, respondent provided an additional and final $4,000 "advance" loan to Mr. Barela to be repaid by Mr. Barela from the $1.6 million settlement installment that respondent received but continued to conceal. (Barela Declaration, ¶42.)

Between April 5, 2018, and November 5, 2018, respondent provided a total of five "advance" loans to Mr. Barela totaling $130,000, to be repaid by Mr. Barela from the $1.6

million settlement installment that respondent received but continued to conceal. (Barela Declaration, ¶43.) None of the wire transfers emanated from the Barela CTA. To date, respondent has not made any further payments or restitution to Mr. Barela.

In the latter part of 2018, Mr. Barela began searching for a creditor to loan him approximately $100,000 in order to operate his business, using the settlement agreement and promise by the Settling Party to pay as collateral. (Barela Declaration, ¶44.) After respondent heard of Mr. Barela's search for a loan, respondent dissuaded Mr. Barela from seeking a loan from a third party, and instead promised Mr. Barela that he would be able to provide a loan of $100,000 by January 15, 2019, at an interest rate between 8-10%. (Barela Declaration, ¶44.) Respondent told Mr. Barela to "hang tight" until January 15, 2019, and "don't ask again." (Barela Declaration, ¶44.)

At the time that respondent told Mr. Barela to "hang tight" until January 15, 2019, Mr. Barela did not know that respondent was expecting another payment from the Settling Party of $100,000 by January 10, 2019. (Barela Declaration, ¶44.)

E. Mr. Barela's November 2018 Discovery of Respondent's Deceit Regarding the Fabricated Settlement Agreement, Receipt of the $1.6 Million Settlement Installment, and Subsequent Lies to Mr. Barela

In November 2018, Mr. Barela employed Larson O'Brien, LLC to represent him with his efforts to collect the proceeds due to him pursuant to the terms of the settlement agreement executed by Mr. Barela and the Settling Party on December 28, 2017. (Declaration of Steven E. Bledsoe, hereinafter, "Bledsoe Declaration," ¶3.)

At the time that he employed Larson O'Brien, LLC (the "firm"), Mr. Barela presented Mr. Steven E. Bledsoe, a partner at Larson O'Brien, with a copy of the fully executed settlement agreement that respondent had provided to him (i.e., the fabricated settlement agreement), requiring the Settling Party to make an initial payment of $1.6 million by March 10, 2018, and three additional payments of $100,000 by March 10 of 2019, 2020, 2021, respectively, for a total of $1.9 million (Bledsoe Declaration, ¶4.)

On November 15, 2018, Mr. Bledsoe sent an email to Mr. Sheikh. (Bledsoe Declaration, ¶5, and Exhibit 1 attached thereto; Sheikh Declaration, ¶12, and Exhibit 2 attached thereto.) In the email, Mr. Bledsoe explained that Mr. Barela had employed the firm in connection with his efforts to collect on the proceeds from the December 28, 2017 settlement agreement with the Settling Party, and Mr. Bledsoe asked Mr. Sheikh to: (i) confirm that the Settling Party made the $1.6 million payment that was due on March 10, 2018; and (ii) provide Mr. Bledsoe with a copy of the wire transfer confirmation. In the email, Mr. Bledsoe provided his cell phone number and invited Mr. Sheikh to call him. (Bledsoe Declaration, ¶5; Sheikh Declaration, ¶12.)

On November 16, 2018, Mr. Bledsoe and Mr. Sheikh had a telephone conversation. (Bledsoe Declaration, ¶6; Sheikh Declaration, ¶13.) During the telephone conversation, Mr. Bledsoe explained to Mr. Sheikh that respondent had advised Mr. Barela that the Settling Party did not make the initial $1.6 million payment due under the terms of the settlement agreement. (Bledsoe Declaration, ¶6; Sheikh Declaration, ¶13.) Mr. Bledsoe also stated that the copy of the settlement agreement provided to Mr. Barela by respondent provided for the initial payment to be made by the Settling Party on March 10, 2018. (Bledsoe Declaration, ¶6; Sheikh Declaration, ¶13.) Mr. Sheikh explained to Mr. Bledsoe that the settlement agreement actually provided for the initial $1.6 million payment to be made in January 2018, and that the Settling Party made the payment at that time. (Bledsoe Declaration, ¶6; Sheikh Declaration, ¶13.) Given these discrepancies, Mr. Bledsoe emailed Mr. Sheikh a copy of the settlement agreement that respondent had presented to Mr. Barela (i.e., the fabricated settlement agreement). (Bledsoe Declaration, ¶6; Sheikh Declaration, ¶13.)

On November 17, 2018, Mr. Bledsoe sent Mr. Sheikh a letter via email as a follow-up to his email message to Mr. Sheikh on November 15, 2018, and their telephone conversation on November 16, 2018. (Bledsoe Declaration, ¶7, and Exhibit 2 attached thereto; Sheikh Declaration, ¶14, and Exhibit 3 attached thereto.) In his November 17, 2018 letter, Mr. Bledsoe partially memorialized the November 16, 2018 telephone conversation, and requested that

Mr. Sheikh provide him with: (i) a true and correct copy of the settlement agreement executed by the Settling Party and Mr. Barela; (ii) a copy of the wire transfer confirmation for the $1.6 million settlement payment made by the Settling Party in January 2018; and (iii) any written confirmation with respondent's law firm concerning or confirming the settlement payment. (Bledsoe Declaration, ¶7, and Exhibit 2 attached thereto; Sheikh Declaration, ¶14, and Exhibit 3 attached thereto.) Finally, Mr. Bledsoe requested that the Settling Party make all future payments due to Mr. Barela under the settlement agreement by wire transfer to the firm's client trust account. (Bledsoe Declaration, ¶7, and Exhibit 2 attached thereto; Sheikh Declaration, ¶14, and Exhibit 3 attached thereto.) On November 17, 2018, Mr. Bledsoe and Mr. Barela signed the letter. (Bledsoe Declaration, ¶7, and Exhibit 2 attached thereto.)

On November 17, 2018, Mr. Bledsoe also sent respondent a letter via email. (Bledsoe Declaration, ¶8, and Exhibit 3 attached thereto; and Barela Declaration, ¶45, and Exhibit 32 attached thereto.) In the letter, Mr. Bledsoe explained that Mr. Barela had employed the firm in connection with his efforts to collect on the proceeds from the December 28, 2017 settlement agreement with the Settling Party, and Mr. Bledsoe asked respondent to: (i) confirm any representations that respondent made to Mr. Barela that the Settling Party had failed to make the initial $1.6 million payment due under the settlement agreement; (ii) promptly provide a true and correct copy of the settlement agreement and any fee agreement between respondent and Mr. Barela; and (iii) provide an immediate accounting in the event that the Settling Party made the initial $1.6 million payment provided in the settlement agreement. On November 17, 2018, Mr. Bledsoe and Mr. Barela signed the letter. (Bledsoe Declaration, ¶8, and Exhibit 3 attached thereto; and Barela Declaration, ¶45, and Exhibit 32 attached thereto.) Respondent did not respond to the letter and did not provide the requested accounting. (Bledsoe Declaration, ¶8.)

After the letter was sent, respondent made multiple telephone calls to Mr. Barela. (Barela Declaration, ¶45.) Respondent also sent an email to Mr. Barela asking Mr. Barela to call respondent as soon as Mr. Barela received the email. (Barela Declaration, ¶45, and Exhibit 33 attached thereto.) Additionally, respondent sent a text message to Mr. Barela asking, "What is

this all about? Pls call me ASAP." (Barela Declaration, ¶45, and Exhibit 34 attached thereto.)

On November 19, 2018, Mr. Bledsoe sent an email to respondent attaching a letter from Mr. Barela requesting that respondent transfer: (i) all paper and electronic files to the firm; and (ii) the balance of any funds paid by the Settling Party to the firm's client trust account. (Barela Declaration, ¶46, and Exhibit 35 attached thereto; Bledsoe Declaration, ¶9.) In a separate email, Mr. Bledsoe provided respondent with the firm's wire transfer information. (Bledsoe Declaration, ¶9; Barela Declaration ¶46.) Respondent did not respond to Mr. Bledsoe's November 19, 2018 email attaching Mr. Barela's letter or Mr. Bledsoe's separate email. (Barela Declaration ¶46; Bledsoe Declaration, ¶9.)

On November 20, 2018, Mr. Sheikh sent Mr. Bledsoe a letter via email. (Sheikh Declaration, ¶15, and Exhibit 4 attached thereto; Bledsoe Declaration, ¶10, and Exhibit 3 attached thereto.) In the letter, Mr. Sheikh repeated what he told Mr. Bledsoe when they spoke by telephone on November 16, 2018; namely that: (i) the settlement agreement executed by Mr. Barela and the Settling Party required the Settling Party to make the initial payment by January 10, 2018, and the Settling Party did so by wire transfer on January 5, 2018; (ii) the purported settlement agreement that Mr. Bledsoe emailed to him during their November 16, 2018 telephone conversation was not a true and correct copy of the settlement agreement; and (iii) he had never seen the document before he received it from Mr. Bledsoe on November 16, 2018. (Sheikh Declaration, ¶15, and Exhibit 4 attached thereto; Bledsoe Declaration, ¶10, and Exhibit 3 attached thereto.) In the letter, Mr. Sheikh also requested that Mr. Bledsoe prepare a proposed amendment to the settlement agreement that reflected his request for the future payments owed pursuant to the settlement agreement be made to Mr. Bledsoe's firm's client trust account instead of the trust account designated by respondent. (Sheikh Declaration, ¶15, and Exhibit 4 attached thereto; Bledsoe Declaration, ¶10, and Exhibit 3 attached thereto.)

On November 21, 2018, Mr. Sheikh sent Mr. Bledsoe a letter with a true and correct copy of the settlement agreement attached to it via email. (Sheikh Declaration, ¶16, and Exhibit 5 attached thereto; Bledsoe Declaration, ¶11, and Exhibit 4 attached thereto.) Later that same day,

Mr. Bledsoe showed Mr. Barela the true and correct copy of the fully executed settlement agreement that Mr. Bledsoe had received from Mr. Sheikh (i.e., the actual settlement agreement). (Barela Declaration, ¶47, and Exhibit 36 attached thereto.) This was the first time that Mr. Barela had ever seen the true and correct copy of the fully executed settlement agreement (i.e., the actual settlement agreement). (Barela Declaration, ¶47.) The true and correct copy of the fully executed settlement agreement provides that the initial settlement payment of $1.6 million was due by January 10, 2018, with the subsequent payments due by January 10 of the following three years. (Barela Declaration, ¶47, and Exhibit 36 attached thereto.)

On November 27, 2018, Mr. Sheikh provided Mr. Bledsoe with a copy of the confirmation of the January 5, 2018 wire transfer of the $1.6 million settlement agreement. (Sheikh Declaration, ¶17; Bledsoe Declaration, ¶12, and Exhibit 5 attached thereto; Barela Declaration, ¶48.)

On December 3, 2018, Mr. Bledsoe sent respondent a letter via email reminding him that on November 17, 2018, he had sent respondent a letter asking him to: (i) confirm any representations that respondent made to Mr. Barela that the Settling Party had failed to make the initial $1.6 million payment due under the settlement agreement; (ii) promptly provide a true and correct copy of the settlement agreement and any fee agreement between respondent and Mr. Barela; and (iii) provide an immediate accounting in the event that the Settling Party made the initial $1.6 million payment provided in the settlement agreement. (Bledsoe Declaration, ¶13, and Exhibit 6 attached thereto.) Mr. Bledsoe further stated that respondent had neither responded to Mr. Bledsoe's November 17, 2018 letter nor Mr. Barela's November 19, 2018 letter requesting that respondent transfer Mr. Barela's files and client funds to the firm. (Bledsoe Declaration, ¶13, and Exhibit 7 attached thereto.) Finally, Mr. Bledsoe invited respondent to resolve the matter without court intervention. (Bledsoe Declaration, ¶13, and Exhibit 6 attached thereto.) Respondent did not respond to the letter. (Bledsoe Declaration, ¶13.)

Pursuant to Mr. Sheikh's request, Mr. Bledsoe prepared an addendum to the settlement agreement. (Bledsoe Declaration, ¶14.) On January 3, 2019, Mr. Barela and the Settling Party

signed the addendum which provided that the Settling Party would pay all future payments due under the settlement agreement to new counsel's client trust account. (Barela Declaration, ¶52, and Exhibit 37 attached thereto; Sheikh Declaration, ¶18, and Exhibit 6 attached thereto; Bledsoe Declaration, ¶14, and Exhibit 7 attached thereto.)

On January 15, 2019, the balance in the Barela CTA was $0.00. (Nunley Declaration, ¶10, Exhibits 1 and 2 attached thereto.)

In January 2019, Mr. Bledsoe submitted a State Bar complaint on behalf of Mr. Barela against respondent. (Bledsoe Declaration, ¶15.) Respondent never notified Mr. Barela that on January 5, 2018, respondent received the initial $1.6 million settlement payment on his behalf from the Settling Party. (Barela Declaration, ¶49.) In fact, respondent concealed and failed to disclose to Mr. Barela that he had received the initial $1.6 million settlement payment from the Settling Party. (Barela Declaration, ¶49.)

F. Respondent Is Being Criminally Prosecuted for Serious Allegations

On March 24, 2019, the United States Attorney for the Southern District of New York and for the Central District of California coordinated to arrest respondent at the same time for unrelated charges. (Nunley Declaration, ¶¶14, 15, and Exhibit 6 attached thereto.) The United States Attorney for the Southern District arrested respondent in connection with charges filed in the matter titled *United States of America v. Michael John Avenatti*, United States District Court, Southern District of New York, Case Number 1:19-mj-02927-UA-1. The complaint filed in case number 1:19-mj-02927-UA-1 charges that respondent tried to extort millions of dollars from Nike, Inc., the apparel company. (Nunley Declaration, ¶14, and Exhibit 4 attached thereto.)[4]

The United States Attorney for the Central District of California arrested respondent in

[4] Pursuant to rule 5.104(H)(2)(e) of the Rules of Procedure of the State Bar and Evidence Code section 452(d), the State Bar requests this Court to take judicial notice of Exhibit 4 attached to Ms. Nunley's Declaration, a true and correct copy of the complaint filed in *United States of America v. Michael John Avenatti*, United States District Court, Southern District of New York, case number 1:19-mj-02927-UA-1. (Rules Proc. of the State Bar, Rule 5.104(H)(2)(e) [the State Bar Court may judicial notice of non-certified records that have been copied from the federal court website, Public Access to Court Electronic Records (i.e., PACER)]; Evid. Code, § 452(d) [Judicial notice may be taken of "Records of (1) any court of this state or (2) any court of record of the United States or of any state of the United States.")

connection with charges filed in the matter titled *United States of America v. Michael John Avenatti*, United States District Court, Central District of California (Southern Division-Santa Ana), case number 8:19-mj-00241. (Nunley Declaration, ¶¶14,15, and Exhibit 6 attached thereto.) The complaint filed in case number 8:19-mj-00241 charges respondent with embezzling from a client, specifically Mr. Barela, and defrauding a bank by using false tax returns to obtain a loan. (Nunley Declaration, ¶14, and Exhibit 5 attached thereto.)[5]

On April 10, 2019, the United States Attorney for the Central District of California filed an indictment against respondent in a criminal matter titled *United States of America v. Michael John Avenatti*, United States District Court (Southern Division-Santa Ana), case number CR 8:19-cr-00061 (JVS). (Nunley Declaration, ¶16.) The indictment charges that respondent, among other charges, embezzled funds belonging to four of his former clients, including Mr. Barela. (Nunley Declaration, ¶16, and Exhibit 7 attached thereto.)[6]

On April 10, 2019, case number 8:19-mj-00241 was merged into case number 8:19-cr-00061 and terminated. (Nunley Declaration, ¶17, and Exhibit 8 attached thereto.)[7]

On May 22, 2019 the United States Attorney for the Southern District of New York filed an indictment against respondent in a criminal matter titled *United States of America v. Michael John Avenatti*, United States District Court, Southern District of New York, case number CR 19-Cr. 374. (Nunley Declaration, ¶19.) The indictment charges that respondent, among other

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[5] Pursuant to rule 5.104(H)(2)(e) of the Rules of Procedure of the State Bar and Evidence Code section 452(d), the State Bar requests this Court to take judicial notice of Exhibit 5 attached to Ms. Nunley's Declaration, a true and correct copy of the complaint filed in *United States of America v. Michael John Avenatti*, United States District Court, Central District of California (Southern Division-Santa Ana), case number 8:19-mj-00241.

[6] Pursuant to rule 5.104(H)(2)(e) of the Rules of Procedure of the State Bar and Evidence Code section 452(d), the State Bar requests this Court to take judicial notice of Exhibit 7 attached to Ms. Nunley's Declaration, a true and correct copy of the indictment filed in *United States of America v. Michael John Avenatti*, United States District Court (Southern Division-Santa Ana), case number CR 8:19-cr-00061 (JVS).

[7] Pursuant to rule 5.104(H)(2)(e) of the Rules of Procedure of the State Bar and Evidence Code section 452(d), the State Bar requests this Court to take judicial notice of Exhibit 8 attached to Ms. Nunley's Declaration, a true and correct copy of the docket for *United States of America v. Michael John Avenatti*, United States District Court (Southern Division-Santa Ana), case number CR 8:19-cr-00061 (JVS).

charges, embezzled funds belonging to a fifth client. (Nunley Declaration, ¶19, and Exhibit 9 attached thereto.)[8]

G. Respondent Has Not Provided Any Substantive Response Denying the Allegations or Evidence to Refute the Allegations during the State Bar's Investigation

On February 27, 2019, State Bar Investigator Joy Nunley sent Ms. Ellen Pansky, respondent's attorney, a letter via U.S. Mail and email asking Ms. Pansky to respond to the allegations of misconduct being investigated by the State Bar in connection with Case Number 19-O-10483 by no later than March 15, 2019. (Nunley Declaration, ¶11.)

On March 14, 2019, Ms. Pansky sent Ms. Nunley a letter via U.S. Mail and email requesting an extension of time to respond to Ms. Nunley's February 27, 2019 letter to March 22, 2019. Ms. Nunley agreed to the extension. (Nunley Declaration, ¶12.)

On March 21, 2019, Ms. Pansky sent Ms. Nunley a letter via U.S. Mail and email requesting an additional extension of time to respond to Ms. Nunley's February 27, 2019 letter to April 1, 2019. Ms. Nunley agreed to the extension. (Nunley Declaration, ¶13.)

On March 29, 2019, Ms. Pansky sent Ms. Nunley a letter via U.S. Mail and email. (Nunley Declaration, ¶15, and Exhibit 6 attached thereto.) In the letter, Ms. Pansky stated, among other things:

> "As I am sure you are also well aware, Mr. Avenatti was arrested in New York last Monday, and he is being charged in criminal proceedings in both New York and California. As he was compiling information for me to use to provide the response due to your office, his computers and files were seized by the authorities, and he also is now precluded from communicating with his assistant. Consequently, it is not possible for him to provide me with the information and materials needed to complete my letters of explanation." (Nunley Declaration, ¶15, and Exhibit 6 attached thereto.)

[8] Pursuant to rule 5.104(H)(2)(e) of the Rules of Procedure of the State Bar and Evidence Code section 452(d), the State Bar requests this Court to take judicial notice of Exhibit 9 attached to Ms. Nunley's Declaration, a true and correct copy of the indictment filed in *United States of America v. Michael John Avenatti*, United States District Court, Southern District of New York, case number CR 19-Cr. 374.

At no time has respondent provided a substantive response—or defense—or any contradictory evidence to the allegations of misconduct investigated by the State Bar in connection with case number 19-O-10483. (Nunley Declaration, ¶16.)

IV. Respondent's Misconduct Constitutes Multiple Violations of the Business and Professions Code and the Former and Current Rules of Professional Conduct

As stated above, when there is no pending disciplinary proceeding, as is the case here, an application for an order of inactive enrollment pursuant to Business and Professions Code section 6007(c)(2) must: (1) cite to the statutes and rules violated; and (2) state the particular acts or omissions that constitute the alleged violations.

The State Bar respectfully submits that the facts set forth above demonstrate that respondent committed the following acts of moral turpitude and violated the Business and Professions Code and the former and current Rules of Professional Conduct as follows:

1. **Business and Professions Code section 6106:** By presenting Mr. Barela with a fabricated settlement agreement on December 28, 2017 (Barela Declaration, ¶5, and Exhibit 2 attached thereto) which contained erroneous payment dates for the settlement payment schedule, and which respondent knew and caused to be fabricated, respondent committed an act of moral turpitude, dishonesty, or corruption in violation of Business and Professions Code section 6106;

2. **Former Rules of Professional Conduct, rule 4-100(B)(1):** By failing to notify Mr. Barela of the January 5, 2018 wire transfer of $1.6 million into the Barela CTA (Barela Declaration, ¶54), representing the initial settlement payment owed to Mr. Barela by the Settling Party, respondent failed to notify his client promptly, or at any time, of the receipt of client funds in violation of rule 4-100(B)(1) of the former Rules of Professional Conduct;

3. **Former Rules of Professional Conduct, rule 4-100(A):** By failing to maintain $840,000 on behalf of Mr. Barela in the Barela CTA (Nunley Declaration, ¶10, and Exhibits 1 and 2 attached thereto), respondent failed to maintain client funds in trust in violation of rule 4-100(A) of the former Rules of Professional Conduct;

4. **Business and Professions Code, section 6106:** By intentionally and dishonestly misappropriating approximately $839,390.13 ($840,000 - $609.87) of Mr. Barela's settlement funds by March 14, 2018 (Nunley Declaration, ¶10, and Exhibits 1 and 2 attached thereto), respondent committed an act of moral turpitude, dishonesty, or corruption in violation of Business and Professions Code section 6106;

5. **Business and Professions Code section 6106:** By orally stating to Mr. Barela in or about March 2018 that: (i) respondent had no idea what was going on with the initial settlement payment of $1.6 million; (ii) the Settling Party's counsel was in disbelief that that the Settling Party had not made the initial settlement payment; and (iii) respondent genuinely believed that Settling Party's counsel did not know or understand why the Settling Party had not made the payment (Barela Declaration, ¶16), when respondent knew that the statements were false, respondent committed an act involving moral turpitude, dishonesty, or corruption in violation of Business and Professions Code section 6106;

6. **Business and Professions Code section 6106:** By orally stating to Mr. Barela in or about March and April 2018 that a lawsuit would need to be filed in order to force the Settling Party to make the initial settlement payment (Barela Declaration, ¶¶16, 22), when respondent knew that the statements were false, respondent committed an act involving moral turpitude, dishonesty, or corruption in violation of Business and Professions Code section 6106;

7. **Business and Professions Code section 6106:** By stating to Mr. Barela during a telephone conversation on or about April 2, 2018 that he would provide an "advance" of money to Mr. Barela while respondent was purportedly seeking payments from the Settling Party (Barela Declaration, ¶17), when respondent knew that the statement was false because he knew that on January 5, 2018, the Settling Party wired the $1.6 million initial payment into the Barela CTA, respondent committed an act involving moral turpitude, dishonesty, or corruption in violation of Business and Professions Code section 6106;

8. **Business and Professions Code section 6106:** By orally stating to Mr. Barela in or about June 2018 that when Mr. Barela needed an "advance" of money to let respondent know,

because the Settling Party matter was not resolved and respondent did not know when it would be (Barela Declaration, ¶28), when respondent knew that the statement was false, respondent committed an act involving moral turpitude, dishonesty, or corruption in violation of Business and Professions Code section 6106;

9. **Former Rules of Professional Conduct, rule 4-100(B)(3) and Rules of Professional Conduct, rule 1.15(d)(4):** By failing to render an appropriate accounting to Mr. Barela despite Mr. Barela's requests that he do so on or about January 3, 2018 (Barela Declaration. ¶8), November 19, 2018 (Barela Declaration, ¶45, and Exhibit 32 attached thereto) and on or about December 3, 2018 (Bledsoe Declaration, ¶13, and Exhibit 6 attached thereto), respondent failed to render an appropriate accounting to his client, in violation of Former Rules of Professional Conduct, rule 4-100(B)(3), and failed to promptly, or at any time, account to a client for whom the attorney he holds funds, in violation of Rules of Professional Conduct, rule 1.15(d)(4);

10. **Former Rules of Professional Conduct, rule 4-100(B)(3) and Rules of Professional Conduct, rule 1.15(d)(7):** By failing to pay Mr. Barela his entire portion of the initial $1.6 million settlement payment, respondent failed to promptly, or at any time, distribute, as requested by Mr. Barela, undisputed client funds in the possession of respondent that Mr. Barela was entitled to receive, in violation of former Rules of Professional Conduct, rule 4-100(B)(4), and Rules of Professional Conduct, rule 1.15(d)(7).

11. **Rules of Professional Conduct, rule 1.16(e)(1):** By failing to release Mr. Barela's client file to him despite Mr. Barela's request that he do so on or about November 19, 2018 (Barela Declaration, ¶46, and Exhibit 35 attached thereto) and on or about December 3, 2018 (Bledsoe Declaration, ¶13, and Exhibit 6 attached thereto), respondent failed to promptly, or at any time, release the client file to the client, in violation of Rules of Professional Conduct, rule 1.16(e)(1).

V. The Factors Required By Business And Professions Code Section 6007(c)(2) Are Established By Clear And Convincing Evidence

As discussed above, the State Bar Court has the authority to issue an order enrolling an attorney as an involuntary inactive member of the State Bar if the State Bar establishes that all the factors required by Business and Professions Code, section 6007(c)(2) are established by clear and convincing evidence.

Thus, in order to successfully move the Court for an Order enrolling respondent as an involuntary inactive member of the State Bar, the State Bar must demonstrate with clear and convincing evidence that:

(1) respondent's conduct caused significant harm to Mr. Barela;

(2) there is a reasonable probability that the State Bar will prevail on the merits at a disciplinary trial; and

(3) respondent will be disbarred.

A. Respondent's Conduct Caused Significant Financial Harm To Mr. Barela

After receiving Mr. Barela's initial settlement payment of $1.6 million on January 5, 2018, respondent intentionally and dishonestly misappropriated all but $609.87 ($840,000-$839,390.27) of Mr. Barela's portion of the initial settlement payment by March 14, 2018. Respondent's misappropriation essentially deprived Mr. Barela of the use of his entire portion of the $1.6 million initial settlement payment for three months. That is, respondent did not disburse any funds to Mr. Barela, from any source, until April 5, 2018, at which time respondent did so only under the guise of an "advance." (Barela Declaration, ¶19.) Assuming arguendo that respondent receives credit for making restitution of $130,000 to Mr. Barela, in the form of the five "advances" he provided to Mr. Barela, respondent deprived and continues to deprive Mr. Barela of approximately $710,000 ($840,000-$130,00). (Barela Declaration, ¶43.) By depriving Mr. Barela of his portion of the initial settlement payment, respondent caused significant client harm. (*In the Matter of Blum* (Review Dept. 2002) 4 Cal. State Bar Ct. Rptr.

403, 409, 413 [significant client harm for six-month delay in distributing $5,618 in medical malpractice settlement proceeds].)

Moreover, at the time that Mr. Barela was anticipating receiving his portion of the initial $1.6 million payment, Mr. Barela was facing "a dire financial situation" in order to finance his two business ventures (Barela Declaration, ¶¶11, 15, 17, 20, 23, 24, 34, 36, 37, 38, 39, and 44), which respondent knew and took advantage of by overreaching, including seeking to charge Mr. Barela 8-10% interest for an "advance" against the very settlement funds that were due to be paid to Mr. Barela by the Settling Party by January 10, 2019. (See *In the Matter of Johnson* (Review Dept. 1995) 3 Cal. State Bar Ct. Rptr. 233, 243-244 ["The essence of a fiduciary or confidential relationship is that the parties do not deal on equal terms, because the person in whom trust and confidence is reposed and who accepts that trust and confidence is in a superior position to exert unique influence over the dependent party."], citations and quotation marks omitted.) The Supreme Court has long recognized that the right to practice law "is not a license to mulct the unfortunate." (*Recht v. State Bar* (1933) 218 Cal. 352, 355; see also *McKnight v. State Bar* (1991) 53 Cal.3d 1025, 1037-1038.)

There is also circumstantial evidence that respondent's conduct caused and continues to cause significant harm to the public. The United States Attorney for the Southern District of New York has charged respondent with attempting to extort millions of dollars from Nike. The charges are pending. (Nunley Declaration, ¶14, and Exhibit 4 attached thereto.) The United States Attorney for the Southern District of New York has also charged respondent with embezzlement from a client. (Nunley Declaration, ¶19, and Exhibit 9 attached thereto.) And, the United States Attorney for the Central District of California has charged respondent with, among other things, embezzlement of client funds from several other clients, including Mr. Barela. (Nunley Declaration, ¶14, and Exhibit 5 attached thereto.) Those charges are also pending. Accordingly, while the criminal charges are pending, the fact that felony charges have been initiated in four cases against respondent corroborates the State Bar's contention that respondent has caused substantial harm to other clients and the public as well.

B. The State Bar Has Provided Evidence that Clearly and Convincingly Proves that There is a Reasonable Probability that the State Bar Will Prevail on the Merits at Trial

Neither the Business and Professions Code nor the Rules of Procedure of the State Bar of California define "reasonable probability." However, the Rules of Procedure of the State Bar of California defines "reasonable cause" to mean "a situation that would lead a person of ordinary care and prudence to believe, or entertain a strong suspicion, that something is true." (Rules Proc. of the State Bar, Rule 5.4(45).) Additionally, pursuant to *In the Matter of Mesce* (Review Dept. 1994) 2 Cal. State Bar Ct. Rptr. 658, 662 [declarations and transcript deemed sufficient evidence to establish "reasonable probability" that the State Bar would prevail at trial on the merits for purposes of enrolling attorney involuntarily inactive under Business and Professions Code section 6007(c)].)

To the extent that reasonable cause and reasonable probability are similar concepts, the State Bar respectfully submits that the evidence attached to this application would lead a person of ordinary care and prudence to believe, or at least entertain a strong suspicion, that respondent has committed serious misconduct, including, but not limited to: (1) knowingly providing Mr. Barela with an altered and fabricated settlement agreement[9]; (2) misappropriating nearly $840,000[10]; and (3) repeatedly lying to Mr. Barela and blaming others to conceal his misconduct.

Notwithstanding all of respondent's other serious misconduct, the State Bar's clear and convincing evidence of respondent's intentional and dishonest misappropriation of $839,390.13 ($840,000 - $609.87) of Mr. Barela's settlement funds is a sufficient basis alone for this Court to determine that there is a reasonable probability that the State Bar will prevail on the merits at trial and that respondent will be disbarred.

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[9] Barela Declaration, ¶¶5-7,47; Bledsoe Declaration, ¶¶4, 8, 10, 11; and Sheikh Declaration, ¶5, 7, 12-16.

[10] Barela Declaration, ¶¶50-51; Nunley Declaration, ¶10, and Exhibits 1-3 attached thereto.

With respect to misappropriation, it is important to note that the Supreme Court has held that the mere fact that the balance in an attorney's trust account has fallen below the total of amounts deposited and purportedly held in trust supports a conclusion of misappropriation. (*Palomo v. State Bar* (1984) 36 Cal.3d 785, 795-796 [fact that balance of CTA fell below amount required to be held in trust supports finding of willful misappropriation]; *Giovanazzi v. State Bar* (1980) 28 Cal.3d 465 [same].)

Significantly, respondent has not denied any wrongdoing or presented any contradictory evidence to the State Bar. The combination of the State Bar's evidence and respondent's lack of denial of that evidence, support a conclusion that respondent intentionally misappropriated nearly $840,000 of Mr. Barela's settlement funds.

C. <u>There Is A Reasonable Probability That Respondent Will Be Disbarred</u>

The Standards for Attorney Sanctions for Professional Misconduct "set forth a means for determining the appropriate disciplinary sanction in a particular case and to ensure consistency across cases dealing with similar misconduct and surrounding circumstances." (Rules Proc. of State Bar, tit. IV, Stds. for Atty. Sanctions for Prof. Misconduct, std. 1.1. All further references to Standards are to this source.) The Standards help fulfill the primary purposes of discipline, which include: protection of the public, the courts and the legal profession; maintenance of the highest professional standards; and preservation of public confidence in the legal profession. (See std. 1.1; *In re Morse* (1995) 11 Cal.4th 184, 205.)

Although not binding, the standards are entitled to "great weight" and should be followed "whenever possible" in determining level of discipline. (*In re Silverton* (2005) 36 Cal.4th 81, 92, quoting *In re Brown* (1995) 12 Cal.4th 205, 220 and *In re Young* (1989) 49 Cal.3d 257, 267, fn. 11.) Adherence to the standards in the great majority of cases serves the valuable purpose of eliminating disparity and assuring consistency, that is, the imposition of similar attorney discipline for instances of similar attorney misconduct. (*In re Naney* (1990) 51 Cal.3d 186, 190.) If a recommendation is at the high end or low end of a Standard, an explanation must be given as to how the recommendation was reached. (Std. 1.1.) "Any disciplinary recommendation that

deviates from the Standards must include clear reasons for the departure." (Std. 1.1; *Blair v. State Bar* (1989) 49 Cal.3d 762, 776, fn. 5.)

In determining whether to impose a sanction greater or less than that specified in a given standard, in addition to the factors set forth in the specific standard, consideration is to be given to the primary purposes of discipline; the balancing of all aggravating and mitigating circumstances; the type of misconduct at issue; whether the client, public, legal system or profession was harmed; and the member's willingness and ability to conform to ethical responsibilities in the future. (Stds. 1.7(b) and (c).)

The State Bar respectfully submits the evidence attached to this application shows that respondent committed multiple acts of moral turpitude and violations of the former and current Rules of Professional Conduct. Standard 1.7(a) requires that where a respondent "commits two or more acts of misconduct and the Standards specify different sanctions for each act, the most severe sanction must be imposed." The most severe sanction applicable to respondent's alleged misconduct is found in Standard 2.1(a), which applies to respondent's intentional and dishonest misappropriation of $839,390.13 ($840,000 - $609.87) of Mr. Barela's settlement funds.

Standard 2.1(a) provides that disbarment is the presumed sanction for intentional or dishonest misappropriation of entrusted funds, unless the amount misappropriated is insignificantly small or sufficiently compelling mitigating circumstances clearly predominate. The amount at issue quite clearly is not insignificantly small: the contrary is true. (See *Chang v. State Bar* (1989) 49 Cal.3d 114, 128 [Supreme Court finding misappropriation of over $7,000 to be significant].)

The Supreme Court has consistently stated that misappropriation generally warrants disbarment in the absence of clearly mitigating circumstances. (*Kelly v. State Bar*, *supra*, 45 Cal.3d at p. 656; *Waysman v. State Bar* (1986) 41 Cal.3d 452, 457; *Cain v. State Bar* (1979) 25 Cal.3d 956, 961.) Moreover, "[a]n attorney who deliberately takes a client's funds, intending to keep them permanently, and answers the client's inquiries with lies and evasions, is deserving of

more severe discipline than an attorney who has acted negligently, without intent to deprive and without acts of deception." (*Edwards v. State Bar* (1991) 52 Cal.3d 21, 38.)

Here, respondent deliberately and intentionally misappropriated nearly $840,000 belonging to Mr. Barela. Given that respondent: (i) fabricated a settlement agreement to enable him to access Mr. Barela's funds for approximately two months unbeknownst to Mr. Barela, (ii) has not refunded approximately $710,000 entitled to Mr. Barela and repeatedly lied to Mr. Barela to conceal his misappropriation of the funds, the evidence clearly and convincingly at trial would show that respondent deliberately took Mr. Barela's funds, while intending to keep them permanently at a time when respondent knew Mr. Barela was experiencing financial difficulties and while deceiving Mr. Barela regarding the status of his funds for approximately nine months. (See *In the Matter of Spaith* (Review Dept. 1996) 3 Cal. State Bar Ct. Rptr. 511 [Review Department recommending that an attorney with no prior record of discipline in 19 years of practice be disbarred for intentionally misappropriating approximately $40,000 from a client and intentionally misleading the client over a period of approximately a year as to the status of the funds].)

At the time that respondent misappropriated Mr. Barela's funds as alleged in this application, respondent had been an attorney for nearly 17 years. (Nunley Declaration, ¶4.) The Supreme Court has imposed disbarment on attorneys with no prior record of discipline in cases involving a single misappropriation. The Supreme Court has also imposed disbarment on attorneys with no prior record of discipline in cases involving a single misappropriation. (See, e.g., *Kaplan v. State Bar* (1991) 52 Cal.3d 1067 [attorney with over 11 years of practice and no prior record of discipline was disbarred for misappropriating approximately $29,000 in law firm funds over an 8-month period]; *Chang v. State Bar* (1989) 49 Cal.3d 114 [attorney misappropriated almost $7,900 from his law firm, coincident with his termination by that firm, and was disbarred]; see also Std. 1.8(c) ["Sanctions may be imposed, including disbarment, even if a member has no prior record of discipline."].)

In closing, "[t]he wilful misappropriation of client funds is theft. [Citation.]." (*Howard v. State Bar* (1990) 51 Cal.3d 215, 221.) "In a society where the use of a lawyer is often essential to vindicate rights and redress injury, clients are compelled to entrust their claims, money, and property to the custody and control of lawyers. In exchange for their privileged positions, lawyers are rightly expected to exercise extraordinary care and fidelity in dealing with money and property belonging to their clients. [Citation.] Thus, taking a client's money is not only a violation of the moral and legal standards applicable to all individuals in society, it is one of the most serious breaches of professional trust that a lawyer can commit." (*Ibid.*)

In light of the applicable Standard and the case law, there is a reasonable probability, if not certainty, that respondent will be disbarred if there is a trial based on the facts stated herein.

VI. Conclusion

The evidence attached to this application clearly and convincingly establishes that:

(1) Respondent has caused, and is causing, substantial harm to Mr. Barela;

(2) There is a reasonable probability that the State Bar will prevail on the merits at a disciplinary trial; and

(3) There is a reasonable probability that respondent will be disbarred for intentionally misappropriating approximately $840,000 belonging to Mr. Barela.

Thus, the State Bar has proven each factor required by Business and Professions Code section 6007(c)(2).

The State Bar respectfully submits that an Order enrolling respondent as an involuntary inactive member of the State Bar is therefore warranted.

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The State Bar respectfully requests that the State Bar Court issue an Order enrolling respondent as an involuntary inactive member of the State Bar pursuant to Business and Professions Code section 6007(c)(2).

Respectfully submitted,

THE STATE BAR OF CALIFORNIA
OFFICE OF CHIEF TRIAL COUNSEL

DATED: June 3, 2019

By: _____
Eli D. Morgenstern
Senior Trial Counsel

VERIFICATION

I, the undersigned, certify that I have read the foregoing Application for Involuntary Inactive Enrollment and know its content. I am informed and believe and on that basis allege that the statements made therein are true and correct.

I am a Senior Trial Counsel for the Office of Chief Trial Counsel of the State Bar of California, a party to this action and am authorized to make this verification for and on its behalf.

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

Executed on this 3rd day of June, 2019, at Los Angeles, California.

Eli D. Morgenstern
Declarant

DECLARATION OF GREGORY BARELA

STATE BAR OF CALIFORNIA
OFFICE OF CHIEF TRIAL COUNSEL
MELANIE J. LAWRENCE, No. 230102
INTERIM CHIEF TRIAL COUNSEL
ANTHONY J. GARCIA, No. 171419
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STATE BAR COURT

HEARING DEPARTMENT - LOS ANGELES

In the Matter of: MICHAEL JOHN AVENATTI, No. 206929, A Member of the State Bar.	Case No. DECLARATION OF GREGORY BARELA

I, Gregory Barela, declare:

1. All statements made herein are true and correct, and are based on my personal knowledge unless indicated as based on information or belief, and as to those statements, I am informed and believe them to be true. If necessary, I could and would competently testify to the statements made herein.

2. On July 8, 2014, I employed Michael John Avenatti ("respondent") and his law firm, Eagan Avenatti, LLP, to represent me in an intellectual property dispute with the Settling Party.[1] A true and correct copy of the fee agreement that I signed on July 8, 2014 is attached to this Declaration as Exhibit 1

[1] The corporation is not identified by name due to the confidentiality of the settlement agreement, discussed below.

3. Respondent filed a lawsuit in federal court on my behalf against the Settling Party alleging multiple causes of action. Thereafter, the Settling Party and I entered into arbitration.

4. On December 28, 2017, at his request, I met with respondent at his law firm's offices in Newport Beach, California, in order to sign a purported settlement agreement that respondent had negotiated with the Settling Party on my behalf.

5. The settlement agreement that respondent presented to me on December 28, 2017 to sign required the Settling Party to make an initial payment of $1,600,000 by March 10, 2018, and three additional payments of $100,000 by March 10 of 2019, 2020, 2021, respectively, for a total of $1,900,000. Respondent also told me that the settlement payments were payable in March of each year. A true and correct, though redacted, copy of the partial settlement agreement that respondent provided to me on December 28, 2017 is attached to this Declaration as Exhibit 2.

6. Unbeknownst to me on December 28, 2017, and at any time before on or about November 21, 2018, the actual settlement agreement negotiated by respondent on my behalf required the Settling Party to make the initial payment of $1,600,000 by January 10, 2018, and the three additional payments of $100,000 by January 10 of 2019, 2020, 2021, respectively.

7. I was unaware of the January payment dates because the version of the settlement agreement that respondent provided to me on December 28, 2017 to sign included the falsified March payment dates.

8. After I signed the settlement agreement, I asked respondent how much money I would receive in total after paying respondent's contingency fee and costs. Respondent represented to me that he believed that the costs were between $100,000 and $125,000, but that his office manager and paralegal was conducting a final accounting of costs. Based on these representations, respondent told me that I would receive over $1,000,000 of the settlement proceeds. On January 3, 2018, I requested an accounting of costs. Respondent never provided me with the requested accounting. Pursuant to the settlement agreement that respondent

provided to me on December 28, 2017, I anticipated that the first settlement payment would occur on March 10, 2018.

9. On the morning of March 10, 2018, I sent a text message to respondent stating that I "was just thinking is this a big day from our friends at [Settling Party]?" A true and correct copy of my March 10, 2018 text message is attached to this Declaration as Exhibit 3.

10. On March 12, 2018, I sent a text message to respondent containing my account information in order to enable respondent to send me a wire transfer of my portion of the $1,600,000 payment. A true and correct copy of my March 12, 2018 text message is attached to this Declaration as Exhibit 4.

11. On March 13, 2018, I sent another text message to respondent asking if there was "any word on that wire from [Settling Party]?" I asked respondent to let me know and sought an update regarding my settlement payment. A true and correct copy of my March 13, 2018 text message is attached to this Declaration as Exhibit 5. I planned to use a part of my portion of the $1,600,000 for business ventures that I had started. On March 14, 2018, I sent a text message to respondent stating, "Hi Michael[,] just checking in on the [Settling Party] issue. I've been going pretty deep and credit cards and a little loan to keep both businesses going. Any updates?" A true and correct copy of my March 14, 2018 text message is attached to this Declaration as Exhibit 6. Respondent did not respond in writing to my March 14, 2018 text message.

12. On March 19, 2018, I sent a text message to respondent telling him that I wanted to be "aggressive with [Settling Party] this week" and asked respondent to let me know if he heard anything from the Settling Party. A true and correct copy of my March 19, 2018 text message is attached to this Declaration as Exhibit 7. Respondent did not respond in writing to my March 19, 2018 text message.

13. On March 21, 2018, I sent a text message to respondent, "Any word from [Settling Party]?" A true and correct copy of my March 21, 2018 text message is attached to this Declaration as Exhibit 8. Respondent did not respond in writing to my March 21, 2018 text message.

14. On March 22, 2018, I again checked in regarding the settlement payment from the Settling Party. I sent a text message to respondent asking, "Did they step up with the transfer? If not what are we doing next?" A true and correct copy of my March 22, 2018 text message is attached to this Declaration as Exhibit 9. Respondent again avoided responding in writing to my March 22, 2018 text message.

15. On March 23, 2018, facing financial burdens, I sent Respondent a text message that I needed help and was worried. Respondent replied to my text message, stating, "Greg-don't worry. Let's chat tmrw. We will figure this out. Michael." A true and correct copy of my March 23, 2018 text message exchange with respondent is attached to this Declaration as Exhibit 10.

16. During this time period in March 2018, while Respondent did not respond in writing to the texts described above, Respondent did orally assure me that he was working to obtain the proceeds of the settlement agreement. Respondent stated that he had no idea what was going on with the settlement payment. Respondent stated that he had spoken with counsel for the Settling Party, and that counsel for the Settling Company was in disbelief that the Settling Party had not made the initial $1,600,000 settlement payment. Respondent further stated that he genuinely believed that counsel for the Settling Party did not know or understand why the Settling Party had not made the payment. At some point during this time period, Respondent informed me that another lawsuit would need to be filed in order to force the Settling Party to make the settlement payments.

17. Given that I had relied on receiving my portion of the initial $1,600,000 payment by March 2018, I was facing a dire financial situation. On April 2, 2018, I emailed respondent asking for a loan. I was in the early stages of setting up two businesses and I told respondent that I was "out of pocket about 250k for both businesses." A true and correct copy of my April 2, 2018 email is attached to this Declaration as Exhibit 11. During the evening of April 2, 2018, I sent a text message to respondent asking whether there was any word from the Settling Party regarding the settlement payment. Later that same evening, I spoke with respondent on the

telephone and respondent assured me on the call that he was working to make sure the Settling Party would make the settlement payment as soon as possible. Respondent also agreed to provide an advance of money to me while he was purportedly seeking payments from the Settling Party. During the evening of April 2, 2018, I sent a text message to respondent stating, "Thanks again for the call. Whatever you can do is appreciated." Respondent replied to the text, "All good. No worries." A true and correct copy of my April 2, 2018 text message exchange with respondent is attached to this Declaration as Exhibit 12.

18. On April 3, 2018, I sent respondent a text message asking him whether he was able to advance me "any amount if at all?" Respondent responded that that he could "probably send a wire tmrw." A true and correct copy of my April 3, 2018 text message exchange with respondent is attached to this Declaration as Exhibit 13.

19. On April 5, 2018, I sent an email to respondent with my bank information in order to allow respondent to make a wire transfer of $60,000, the money respondent had agreed to advance to me. In the email, I also stated that I wanted to discuss my options for collections on the Settling Party. A true and correct copy of my April 5, 2018 email is attached to this Declaration as Exhibit 14. Shortly thereafter, I received a wire transfer of $60,000 from respondent.

20. On April 15, 2018, I sent another email to respondent asking him about the status of the settlement money from the Settling Party. I also asked about steps to take against the Settling Party if the money was not collected. I told respondent I needed a plan as soon as possible as I was facing financial difficulties. A true and correct copy of my April 15, 2018 email is attached to this Declaration as Exhibit 15. Respondent did not respond in writing to my April 15, 2018 text message.

21. On April 22, 2018, I sent an email to respondent asking if the Settling Party responded. A true and correct copy of my April 22, 2018 email is attached to this Declaration as Exhibit 16. Again, on April 25, 2018, and April 26, 2018, I sent text messages to respondent asking whether there was any word from the Settling Party. A true and correct copy of my April

25, 2018, and April 26, 2018 text messages are cumulatively attached to this Declaration as Exhibit 17. Respondent did not respond in writing.

22. During the April 2018 time period, while Respondent did not respond to any of my text messages in writing, he assured me over the phone and in-person that he was working to force the Settling Party to make the settlement payment. This included his statements to me that Respondent would be filing a separate lawsuit in federal court to force payment of the settlement.

23. On May 7, 2018, I sent another email to respondent asking him what the next actions were against the Settling Party. I also told respondent, "If [Settling Party] does not pay soon I may need a little help in the next two weeks." A true and correct copy of my May 7, 2018 email is attached to this Declaration as Exhibit 18.

24. On May 15, 2018, I sent an email to respondent explaining that since I planned on collecting the settlement in March and had not seen any of it, I was losing credibility with my other business ventures and my wife, and was now facing a difficult financial position. I asked respondent, "Did [Settling Party] respond or pay? If no[,] what are we filing this week?" A true and correct copy of my May 15, 2018 email is attached to this Declaration as Exhibit 19. Respondent did not respond in writing to my May 15, 2018 email. Instead, respondent and I had a telephone conversation wherein respondent agreed to provide another advance to me on the settlement payment.

25. On May 22, 2018, I sent an email to respondent containing wire instructions for an additional advance from respondent. On May 22, 2018, he responded, "Got it. Thanks." A true and correct copy of my May 22, 2018 email exchange with respondent is attached to this Declaration as Exhibit 20.

26. On May 25, 2018, respondent advanced, or caused to be advanced, an additional $30,000 to me.

27. On June 25, 2018, I sent an email to respondent containing a list of reminders for the week, including a reminder about filing a lawsuit against the Settling Party for failing to pay

the $1,600,000 due to me. A true and correct copy of my June 25, 2018 email is attached to this Declaration as Exhibit 21.

28. During this timeframe, respondent stated to me that whenever I needed an advance of money, to let him know, and he would wire money to me, because the Settling Party matter was not resolved and he did not know when it would be.

29. On June 27, 2018, respondent advanced, or caused to be advanced, an additional $30,000 to me.

30. On June 29, 2018, I sent an email to the office manager/paralegal at respondent's law firm, Eagan Avenatti, LLP, and asked for a copy of the signed settlement agreement, which included the signatures from the Settling Party's representatives. When I went to their office a day or two later to get a fully executed copy of the settlement agreement, the office manager/paralegal came into the room with a document, which respondent reviewed before the office manager/paralegal handed it to me. The document respondent and the office manager/paralegal gave me was a falsified copy of the fully executed settlement agreement, which contained March payment dates.

31. On August 15, 2018, I sent an email to respondent asking about initiating a lawsuit against the Settling Party for failing to abide by the terms of the settlement agreement and failing to make the $1,600,000 payment. A true and correct copy of my August 15, 2018 email is attached to this Declaration as Exhibit 22.

32. On September 10, 2018, I sent respondent an email with wire instructions for an additional advance. A true and correct copy of my September 10, 2018 email is attached to this Declaration as Exhibit 23.

33. On September 11, 2018, respondent advanced, or caused to be advanced, an additional $6,000 to me.

34. On October 10, 2018, I sent respondent an email asking for an update on the status of collecting the settlement proceeds from the Settling Party. I also asked for more

financial help, requesting an additional advance to "keep moving." A true and correct copy of my October 10, 2018 email is attached to this Declaration as Exhibit 24.

35. On October 14, 2018, I sent an email to respondent asking if the Settling Party had responded and what the next steps were to ensure payment. I stated, "It will be one year in December and they will owe the second payment in March . . . Can we discuss a go forward strategy till this is handled?" I also asked respondent for "a copy of the last thing that we filed." A true and correct copy of my October 14, 2018 email is attached to this Declaration as Exhibit 25. Respondent did not respond in writing to my October 14, 2018 email.

36. On October 17, 2018, I sent a text message to respondent expressing to him that I was in financial hardship and asked for another advance. A true and correct copy of my October 17, 2018 text message is attached to this Declaration as Exhibit 26.

37. On October 19, 2018, I sent a text message to respondent asking him if I could borrow money. A true and correct copy of my October 19, 2018 text message is attached to this Declaration as Exhibit 27. Respondent did not respond in writing to either my October 17, 2018 or October 19, 2018 text messages.

38. On October 22, 2018, I sent an email to respondent again stressing the financial troubles I was facing. I told respondent that I was working on trying to get a loan from a third-party and was trying to use the settlement agreement to secure it. I again asked for an update on the payment and what the next action steps would be. I also asked for copies of all the paperwork related to the alleged filing against the Settling Party so that I could use it to secure a personal loan. A true and correct copy of my October 22, 2018 email is attached to this Declaration as Exhibit 28. Respondent did not respond to my October 22, 2018 email.

39. On October 28, 2018, I sent respondent a text message again highlighting my dire financial situation. On October 28, 2018, I sent respondent another text message again asking respondent to forward the documents that had been filed against the Settling Party so that I could use them to secure a personal loan. On October 29, 2018, I sent another text message to respondent. On the same day, respondent replied that he would call me shortly. Later that same

day, because I had not heard back from respondent, I sent respondent another text message. Respondent replied, "Let's chat in the am. Working on a solution." I responded by again stressing my financial difficulties. A true and correct copy of my October 28, 2018 text messages, and a true and correct copy of my October 29, 2018 text message exchange with respondent are cumulatively attached to this Declaration as Exhibit 29.

40. On October 30, 2018, I followed-up with respondent by sending him a text message that stated "any word." Respondent replied that he was "making progress." A true and correct of my October 30, 2018 text message exchange with respondent is attached to this Declaration as Exhibit 30.

41. On October 31, 2018, I sent a text message to respondent with wire information for an additional advance. A true and correct copy of my October 31, 2018 text message is attached to this Declaration as Exhibit 31.

42. On November 5, 2018, respondent made, or caused to be made, an additional and final $4,000 advance to me.

43. Between April 5, 2018, and November 5, 2018, respondent "advanced" me a total of $130,000.

44. In the latter part of 2018, I began searching for a creditor to loan me approximately $100,000 in order to operate my business, using the settlement agreement and promise by the Settling Party to pay as collateral. After respondent heard of my search for a loan, he dissuaded me from seeking a loan from a third party, and instead promised me he would be able to provide a loan of $100,000 by January 15, 2019, at an interest rate between 8-10%. Respondent told me to "hang tight" until January 15, 2019, and "don't ask again."

45. On November 17, 2018, my new attorney Steven E. Bledsoe and I sent Respondent a letter via email asking him to: (1) confirm any representations that respondent made to me that the Settling Party had failed to make the initial $1,600,000 payment due under the settlement agreement; (2) promptly provide a true and correct copy of the settlement agreement and any fee agreement between respondent and me; and (3) provide an immediate

accounting in the event that the Settling Party made the initial $1,600,000 payment provided in the settlement agreement. A true and correct copy of our November 17, 2018 letter is attached to this Declaration as Exhibit 32. After that letter was sent, Respondent made multiple telephone calls to me. Respondent also sent an email asking me to call him as soon as I received the email. A true and correct copy of respondent's November 17, 2018 email is attached to this Declaration as Exhibit 33. Additionally, respondent sent a text message to me asking, "What is this all about? Pls call me ASAP." A true and correct copy of respondent's November 17, 2018 text message is attached to this Declaration as Exhibit 34.

46. On November 19, 2018, my new counsel sent an email to respondent attaching a letter from me requesting that he transfer all paper and electronic files to my new counsel. In my letter, I also requested that respondent transfer the balance of any funds paid by the Settling Party to my new counsel. A true and correct copy of my November 19, 2018 letter to respondent is attached to this Declaration as Exhibit 35. In the cover email, my new counsel provided respondent with the wire transfer information. Respondent did not respond to my November 19, 2018 letter.

47. On November 21, 2018, at the request of my new counsel, counsel for the Settling Party provided my new counsel with a true and correct copy of the fully executed settlement agreement. Later that same day, my new counsel showed me the true and correct copy of the fully executed settlement agreement that he had received from the Settling Party's counsel. This was the first time that I had ever seen the true and correct copy of the fully executed settlement agreement. The true and correct copy of the fully executed settlement agreement provides that the initial payment of $1,600,000 was due by January 10, 2018, with the subsequent payments due by January 10 of the following three years. The true and correct, though redacted, copy of the fully executed settlement agreement is attached to this Declaration as Exhibit 36.

48. I am informed and believe that, subsequently, counsel for the Settling Party provided my new counsel proof of the $1,600,000 payment that the Settling Party made on January 5, 2018 to the client trust account specified by respondent. I am also informed and

believe that counsel for the Settling Party confirmed with my new counsel that there were no versions of the settlement agreement exchanged between respondent and the Settling Party that included settlement payment dates in March.

49. Respondent never notified me that on January 5, 2018, he received the initial $1,600,000 settlement payment on my behalf from the Settling Party. In fact, respondent concealed and failed to disclose to me that he had received the initial $1,600,000 settlement payment from the Settling Party. Respondent has never provided me with an accounting concerning those funds.

50. I never authorized respondent to disburse any portion of my portion of the initial $1,600,000 payment to any person or entity other than myself.

51. I never authorized respondent to use any portion of my portion of the initial $1,600,000 payment for his own personal use.

52. On January 3, 2019, the Settling Party and I signed an addendum to the settlement agreement which provided that the Settling Party would pay all future payments due under the settlement agreement to my new counsel's client trust account. A true and correct copy of the addendum to the settlement agreement is attached to this Declaration as Exhibit 37.

53. During respondent's representation of me, on August 16, 2018, I pleaded guilty to a felony criminal charge of commingling of funds and a misdemeanor criminal charge of operating without a contractor's license. On September 18, 2018, I was sentenced to four years of probation, which if successfully completed, would result in the felony criminal charge being reduced to a misdemeanor. Respondent was fully aware of my pending criminal case, and, in fact, advised me to plead guilty.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this Declaration is executed this 24th day of May, 2019, at Irvine, California.

Gregory Barela

EXHIBIT 1

EAGAN AVENATTI, LLP
450 Newport Center Drive, 2nd Floor
Newport Beach, CA 92660
(949)706-7000

July 2, 2014

ATTORNEY-CLIENT FEE CONTRACT (CONTINGENCY)

This ATTORNEY-CLIENT FEE CONTRACT (this "Agreement") is the written fee contract that California law requires lawyers to have with their clients. It is between Eagan Avenatti, LLP (the "Attorney") on the one hand and Greg Barela and Eco Alliance, LLC (the "Client") on the other.

1. **CONDITIONS.** This Agreement will not take effect, and Attorney will have no obligation to provide legal services, until Client returns a signed copy of this Agreement.

2. **SCOPE OF SERVICES.** Client is hiring Attorney to represent Client in the matter of Client's affirmative claims relating to Client's intellectual property rights in hardscape underlayment processes/technology. Attorney will provide those legal services reasonably required to represent Client and take reasonable steps to inform Client of progress and to respond to Client's inquiries. In addition, Attorney may at any time and at its discretion retain outside counsel, whose legal fees will be deducted from the fees received by Attorney.

Attorney will represent Client in any court action until a settlement or judgment, by motion, arbitration or trial, is reached, and in connection with any appropriate post-trial motions. Client and Attorney agree that any legal services provided on behalf of Client in connection with any appeal relating to Client's claims shall be covered by a separate agreement, the terms of which are subject to future negotiation.

3. **CLIENT'S DUTIES.** Client agrees to be truthful with Attorney, to cooperate, to keep Attorney informed of developments, to abide by this Agreement~~, and to pay bills for costs on time~~.

4. **LEGAL FEES, COSTS AND BILLING PRACTICES.** Attorney will receive a contingency fee of forty percent (40%) of the Recovery (defined below).

"Recovery" will include any cash; the fair market value of any property, stock, note, partnership interest, carried interest, stock option, business accommodation or agreement, loan, and funding; and other consideration received in connection with the settlement, judgment, or other resolution of any of Client's claims as referenced above, including but not limited to any jury award, arbitration award, award of attorneys' fees, discovery sanctions, other monetary sanctions, and/or similar awards which an opposing party is required to pay to Client.

If payment of all or any part of the amount to be received will be deferred (such as in the case of an annuity, a structured settlement, or periodic payments), the *"Recovery"* for purposes of calculating the Attorney's fees, will be the initial lump-sum payment plus the present value, as of the time of the binding resolution, of the payments to be received thereafter. The attorney's fees will be paid out of the initial lump-sum payment. If the payment is insufficient to pay the attorney's fees in full, the balance will be paid from subsequent payments of the *Recovery* before any distribution to Client.

In the event of discharge or withdrawal of Attorney as provided in Paragraph 10, Client agrees that Attorney shall be entitled to be paid by Client, upon binding resolution of Client's claims, whether by settlement, judgment or arbitration award in favor of Client, a reasonable fee for the legal services provided by Attorney to Client.

5. **NEGOTIABILITY OF FEES.** The rates set forth above are not set by law, but were negotiated between Attorney and Client.

6. **COSTS, DISBURSEMENTS AND EXPENSES.** Attorney will advance all out-of-pocket litigation and trial costs and expenses. "Costs and expenses" include filing and court fees, investigation expenses, process fees, investigation fees, graphic art and filming fees, PowerPoint fees, computer animation fees, expert fees, deposition costs, photocopying charges, mock trials or focus groups, jury fees, computerized research, jury trial consultant fees, telephone toll charges, travel costs, mail messenger and other delivery charges, postage and any other necessary expenses in this matter. Client authorizes Attorney to incur all reasonable costs and to hire any investigators, consultants or expert witnesses reasonably necessary in Attorney's judgment. Upon resolution or settlement of Client's claims, Client agrees to fully reimburse Attorney from Client's portion of the Recovery that portion of the costs and expenses previously advanced by Attorney.

7. **INSURANCE COVERAGE.** Attorney maintains errors and omissions insurance coverage applicable to the services to be rendered to client.

8. **ARBITRATION. Any dispute arising under this Contract or in connection with Attorney's services hereunder, including any claim by Client against Attorney for malpractice or other tort claim or any dispute regarding attorneys' fees, shall be resolved by binding arbitration before JAMS located in Orange County, California. Such arbitration shall be conducted in accordance with the arbitration rules and procedures of JAMS then in effect. Client acknowledges that he has been fully advised of all of the possible consequences of arbitration including but not limited to:**

a. **If a malpractice action arises from this Agreement, neither Client nor Attorney will have the right to a jury trial.**
b. **Both parties retain the right to retain counsel to prepare their respective claims and/or defenses for the arbitration hearing.**
c. **Client can choose or hire an attorney who may not request or whose retainer agreement does not contain an arbitration provision.**

9. **RELATED UNKNOWN MATTERS.** Client represents that Client does not know of any related legal matters that would require legal services to be provided under this Agreement. If such a matter arises later, Client agrees that this Agreement does not apply to any such related legal matters, and a separate Agreement for provision of services and payment for those services will be required if Client desires Attorney to perform that additional legal work.

10. **DISCHARGE AND WITHDRAWAL.** Client may discharge Attorney at any time, upon written notice to Attorney, and Attorney will immediately after receiving such notice cease to render additional services in a manner that avoids foreseeable prejudice to Client. Such a discharge does not, however, relieve Client of the obligation to pay any costs incurred prior to such termination, and Attorney has the right to recover from Client the reasonable value of Attorney's legal services rendered from the effective date of the Agreement (Paragraph 14) to the date of discharge.

Attorney may withdraw from representation of Client (a) with Client's consent, or (b) upon court approval, or (c) if no court action has been filed, upon reasonable notice to Client

11. **LIEN.** Client hereby grants Attorney a lien on any and all claims or causes of action that are the subject of Attorney's representation under this Agreement. Attorney's lien will be for any sums owing to Attorney for any unpaid costs or attorneys fees under this Agreement. The lien will attach to any recovery Client may obtain, whether by arbitration award, judgment, settlement or otherwise. The lien created herein is considered an adverse interest within the meaning of Rule of Professional Conduct 3-300 and requires Client's informed written consent. In accordance with that Rule, Attorney advises Client that it may seek the advice of an independent lawyer of Client's choice, and that Client need not sign this Agreement until it has had a reasonable opportunity to seek that advice. By signing this Agreement, Client consents to the Attorney's Lien described

herein.

12. CONCLUSION OF SERVICES. When Attorney's services conclude, other than by discharge or withdrawal, all unpaid charges will immediately become due and payable. After Attorney's services conclude, Attorney will, upon Client's request, deliver Client's file to Client, along with any Client funds or property in Attorney's possession.

13. DISCLAIMER OF GUARANTEE. Nothing In this Agreement and nothing in Attorney's statements to Client before or after the signing of this Agreement will be construed as a promise or guarantee about the outcome of Client's matter. Attorney makes no such promises or guarantees. There can be no assurance that Client will recover any sum or sums in this matter. Attorney comments about the outcome of Client's matter are expressions of opinion only.

14. EFFECTIVE DATE AND AMENDMENT. This Agreement will take effect when Client has performed the conditions stated in Paragraph 1. The date at the beginning of this Agreement is for reference only. Further, this Agreement may only be amended by way of a writing signed by the Attorney and the Client.

"Attorney"

EAGAN AVENATTI, LLP

_____

Michael J. Avenatti

I have read and understood the foregoing terms and agree to them. By signing this Agreement, I acknowledge receipt of a fully executed duplicate of this Agreement.

"Client"

Greg Barela

By: _____ Date: 7-8-14

Eco Alliance, LLC

By: _____ Date: 7-8-14

EXHIBIT 2

CONFIDENTIAL SETTLEMENT AGREEMENT

This Confidential Settlement Agreement ("Agreement") is entered into as of December 20, 2017, by and between Greg Barela, an individual who resides at 2801 Alton Parkway, Apt. 402, Irvine, California 92606 ("Barela"), and [redacted] d/b/a [redacted] a Colorado limited liability company with its principal place of business at [redacted]. Barela and [redacted] are collectively referred to as the "Parties."

Recitals

Barela and [redacted] are parties in an arbitration pending before Magistrate Judge Boyd N. Boland (Ret.) styled *Greg Barela v.* [redacted] JAG Arbitration No. 2015-1031A (the "Arbitration").

In the Arbitration, Barela asserted claims for correction of inventorship of U.S. Patent No. 8,662,787; a declaration that Barela is a co-owner with [redacted] of U.S. Patent No. 8,662,787; trade secret misappropriation; and unjust enrichment. [redacted] disputed Barela's claims.

On December 20, 2017, Barela and [redacted] agreed to a final compromise and settlement of the Arbitration and all disputes between them. Specifically, the Parties entered into a binding and enforceable agreement setting forth the terms and conditions of their final compromise and settlement, and further agreed to enter into a formal written agreement by December 29, 2017.

This Agreement formally sets forth the terms and conditions of the Parties' agreed-to final compromise and settlement of the Arbitration and all disputes between them.

Definitions

For purposes of this Agreement, the following terms have the following meanings:

1. A Party's "Affiliate" means an entity or individual that Controls, is Controlled by, is Controlling, or is under common Control with respect to the Party.

2. "Asserted Trade Secret" means: All trade secrets that were or could have been asserted by Barela in the Arbitration, including but not limited to the Paver Invention.

3. "[redacted] Patent Rights" means: (a) U.S. Patents Nos. 8,662,787; 8,827,590; 8,967,905; D645,169; 8,236,392; 8,353,640; D637,318; and 7,244,477; and

(b) all provisional applications, parent applications, continuations, continuations-in-part, divisionals, extensions, renewals, substitutions, reissues, reexaminations, *inter partes* reviews and foreign counterparts of any of the patents identified in (a).

4. "Control" (including, with correlative meanings, "Controls," "Controlled by" and "Controlling") means the power to direct or to cause the direction of the management and policies of an entity or an individual, directly or indirectly, whether through ownership of voting securities, by contract, or otherwise. With respect to a corporation, limited liability company, partnership or other entity, control includes direct or indirect ownership of at least fifty-one percent (51%) of the voting stock, limited liability company interest, partnership interest or other voting interest (or equivalent interest) in such corporation, limited liability company, partnership or other entity.

5. "Released Products" means: All products involving any of the [redacted] Patent Rights created, designed, made, used, offered for sale, distributed, sold, or imported by, for, or under license from [redacted] or any predecessor, Successor or Affiliate of [redacted] Released Products include, but are not limited to, Underlayment products sold under the name PaverBase®.

6. "Successor" means a Third Party that: (a) acquires substantially all the assets of either Party; or (b) acquires all or a portion of [redacted] business relating to the [redacted] Patent Rights and/or the Released Products; or (c) results from a reconstruction, amalgamation, merger, consolidation or reorganization of or with [redacted]

7. "Third Party" means any entity or individual other than Barela or [redacted]

8. "Underlayments" means underlayments for use with pavers, patio stones and other paving elements for pedestrian and/or vehicle traffic.

Warranties and Representations

9. Barela, on behalf of himself and his predecessors and Affiliates, warrants and represents that he has the authority to enter into and be bound by this Agreement.

10. Barela, on behalf of himself and his predecessors and Affiliates, warrants and represents that he is unaware of any claim by a Third Party against [redacted] related to the Asserted Trade Secret, the [redacted] Patent Rights or the Released Products.

11. [redacted] on behalf of itself and its predecessors and Affiliates, warrants and represents that it has the authority to enter into and be bound by this Agreement.

Payments to Barela

12. [redacted] will pay the total sum of One Million Nine Hundred Thousand U.S. Dollars (USD 1,900,000) to Barela as follows:

a. The sum of One Million Six Hundred Thousand U.S. Dollars (USD 1,600,000) will be paid by [redacted] to Barela on March 10, 2018; and

b. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on March 10, 2019; and

c. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on March 10, 2020; and

d. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on March 10, 2021.

13. The payments specified in paragraph 12 are subject to Barela's (including his predecessors, Successors, assigns, heirs and Affiliates) ongoing compliance with the Agreement.

14. Each of the payments specified in paragraph 12 shall be made by wire-transfer to a trust account specified in an email from Barela's counsel (Michael Avenatti) to [redacted] counsel (David Sheikh) on or before January 3, 2018.

Waiver and Releases

15. Barela, on behalf of himself and his predecessors, Successors, assigns, heirs and Affiliates, hereby waives, releases and forever discharges all claims to any rights or interest in or to the [redacted] Patent Rights and the Released Products including, without limitation, the ability or right to challenge, directly or by assisting a Third Party, to the inventorship, validity or enforceability of any of the [redacted] Patent Rights, including any lawsuit, protest, opposition, interference, post-grant review, reexamination, *inter partes* review or the like in any court or governmental agency anywhere in the world.

16. Barela, on behalf of himself and his predecessors, Successors, assigns, heirs and Affiliates, hereby releases [redacted] including its predecessors, Successors, assigns, heirs and Affiliates, from any and all claims, liabilities, demands and causes of action, whether or not now known, suspected or claimed, which Barela ever had,

now has or claims to have, regarding the [redacted] Patent Rights and/or the Released Products, including any such claims that were or could have been asserted in a court, in the Arbitration, or in any other proceeding.

17. [redacted] on behalf of itself and its predecessors, Successors, assigns, heirs and Affiliates, hereby releases Barela, including his predecessors, Successors, assigns, heirs and Affiliates, from any and all claims, liabilities, demands and causes of action, whether or not now known, suspected or claimed, which [redacted] ever had, now has or claims to have, regarding the [redacted] Patent Rights and/or the Released Products, including any such claims that were or could have been asserted in a court, in the Arbitration, or in any other proceeding.

Confidentiality

18. The Parties hereby agree that this Agreement and its terms and conditions are and will remain confidential. The Parties further agree that they will not disclose, provide, or produce this Agreement or its terms and conditions publicly or to any Third Party. If a Party is asked about the outcome of the Arbitration, such Party cannot disclose the existence of this Agreement or the Agreement's terms and conditions. The Parties shall only disclose that the dispute between Barela and [redacted] has been resolved. Notwithstanding the foregoing:

a. Either Party may disclose this Agreement to its attorneys and accountants provided that such attorneys and accountants are bound by confidentiality obligations commensurate with this provision.

b. Either Party may disclose this Agreement and its terms and conditions as may be required by law, regulation, subpoena, or order of an arbitrator, a court, or other adjudicator of competent jurisdiction. If this disclosure is made during the course of litigation, the disclosure must be limited to the litigating parties' outside counsel and the arbitrator, court, or other adjudicator of competent jurisdiction.

c. Either Party may disclose this Agreement and its terms and conditions to the extent necessary to enforce this Agreement before a court or other adjudicator of competent jurisdiction.

d. [redacted] may privately state and confirm the fact that all disputes between [redacted] and Barela have been resolved in the context of confidential discussions with its business partners and suppliers.

e. [redacted] may disclose this Agreement and its terms and conditions to its contract manufacturer/supplier, JSP, its professional advisors, its board of directors, released Third Parties, and existing and potential investors, acquirers and purchasers, provided that such entities or individuals are bound by confidentiality obligations commensurate with this provision.

The Parties acknowledge and agree that this confidentiality provision is a material term of this Agreement and that a failure to comply with it constitutes a material breach of this Agreement. The Parties agree that it would be impossible, impractical or extremely difficult to fix the actual damages suffered by reason of a breach of this provision, and accordingly hereby agree that One Hundred Thousand U.S. Dollars (USD 100,000) shall be presumed to be the amount of damages sustained by reason of each such breach, without prejudice to the right of the non-breaching Party to also seek injunctive or other equitable relief, if appropriate.

Non-Disparagement

19. Each Party (including each Party's respective officers, directors, employees, predecessors, Successors, assigns, heirs and Affiliates) agrees not to make any false, negative, critical or disparaging statements, implied or express, written or oral, concerning the other Party (including the other Party's officers, directors, employees, predecessors, Successors, assigns, Affiliates and licensees) or the products, services or business operations of the other Party (including the other Party's predecessors, Successors, assigns, heirs, Affiliates and licensees). Each Party (including each Party's respective officers, directors, employees, predecessors, Successors, assigns, heirs and Affiliates) further agrees to do nothing that would damage the business reputation or good will of the other Party (including the other Party's officers, directors, employees, predecessors, Successors, assigns, heirs, Affiliates and licensees); provided, however, that nothing in this Agreement shall prohibit either Party's disclosure of information that is required to be disclosed in compliance with applicable laws or regulations or by order of an arbitrator, a court, or other adjudicator of competent jurisdiction. For the avoidance of doubt, this provision prohibits Barela (including his predecessors, Successors, assigns, heirs and Affiliates) from asserting, stating, or suggesting that Barela is an inventor or joint inventor of any of the [redacted] Patent Rights, that the [redacted] Patent Rights or the Released Products use or incorporate any trade secrets or other intellectual property of Barela, that Barela contributed in any way to the [redacted] Patent Rights or the Released Products, or that Barela has any rights or interest in any of the [redacted] Patent Rights or the Released Products. The Parties acknowledge and agree that this

non-disparagement provision is a material term of this Agreement and that a failure to comply with it constitutes a material breach of this Agreement. The Parties agree that it would be impossible, impractical or extremely difficult to fix the actual damages suffered by reason of a breach of this provision, and accordingly hereby agree that One Hundred Thousand U.S. Dollars (USD 100,000) shall be presumed to be the amount of damages sustained by reason of each such breach, without prejudice to the right of the non-breaching Party to also seek injunctive or other equitable relief, if appropriate.

Resolution of the Arbitration

20. Upon execution of this Agreement by both Parties, the Parties will voluntarily dismiss, with prejudice, all claims and defenses made against each other in the Arbitration. Each Party will pay its own fees, costs, and expenses, including attorneys' fees. Each Party will have the right to apply to the Judicial Arbiter Group, Inc. for a refund of its share of the arbitration fees that were deposited to reserve the Arbitration hearing dates.

Notices

21. Any notices required by this Agreement shall be made by email and express mail delivery or courier, signature required, postage pre-paid as follows:

For [redacted] [redacted] With a copy to: David J. Sheikh Lee Sheikh Megley & Haan 111 West Jackson Boulevard, Suite 2230 Chicago, Illinois 60604 Email: dsheikh@leesheikh.com	For Barela: Greg Barela c/o Michael Avenatti, Esq. 520 Newport Center Drive Suite 1400 Newport Beach, CA 92660 Email: mavenatti@eaganavenatti.com

Miscellaneous

22. Nothing in this Agreement shall be deemed to create or constitute a partnership, agency, employer-employee or joint venture relationship between Barela and [redacted]

23. The Parties acknowledge that they were represented by their respective counsel in connection with their settlement and this Agreement. This Agreement shall be interpreted according to its fair construction and shall not be construed against either Party.

24. This Agreement represents the entire agreement between Barela and [redacted] with respect to the subject matter of this Agreement, and supersedes all prior agreements, proposals, or understandings, whether written or oral, between Barela and [redacted] This Agreement may not be modified, changed, amended, supplemented or rescinded except pursuant to a written instrument duly executed by Barela and [redacted]

25. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned or transferred by any Party without the prior written consent of the other Party.

26. This Agreement is governed by, and construed in accordance with, the laws of the State of Colorado.

27. If any provision or portion of a provision of this Agreement is held by an arbitrator, a court, or other adjudicator of competent jurisdiction to be invalid under any applicable statute or rule of law, such arbitrator, court or other adjudicator is authorized to modify such provision to the minimum extent necessary to make it valid, and the remaining provisions or portions of provisions of this Agreement shall in no way be affected or impaired thereby.

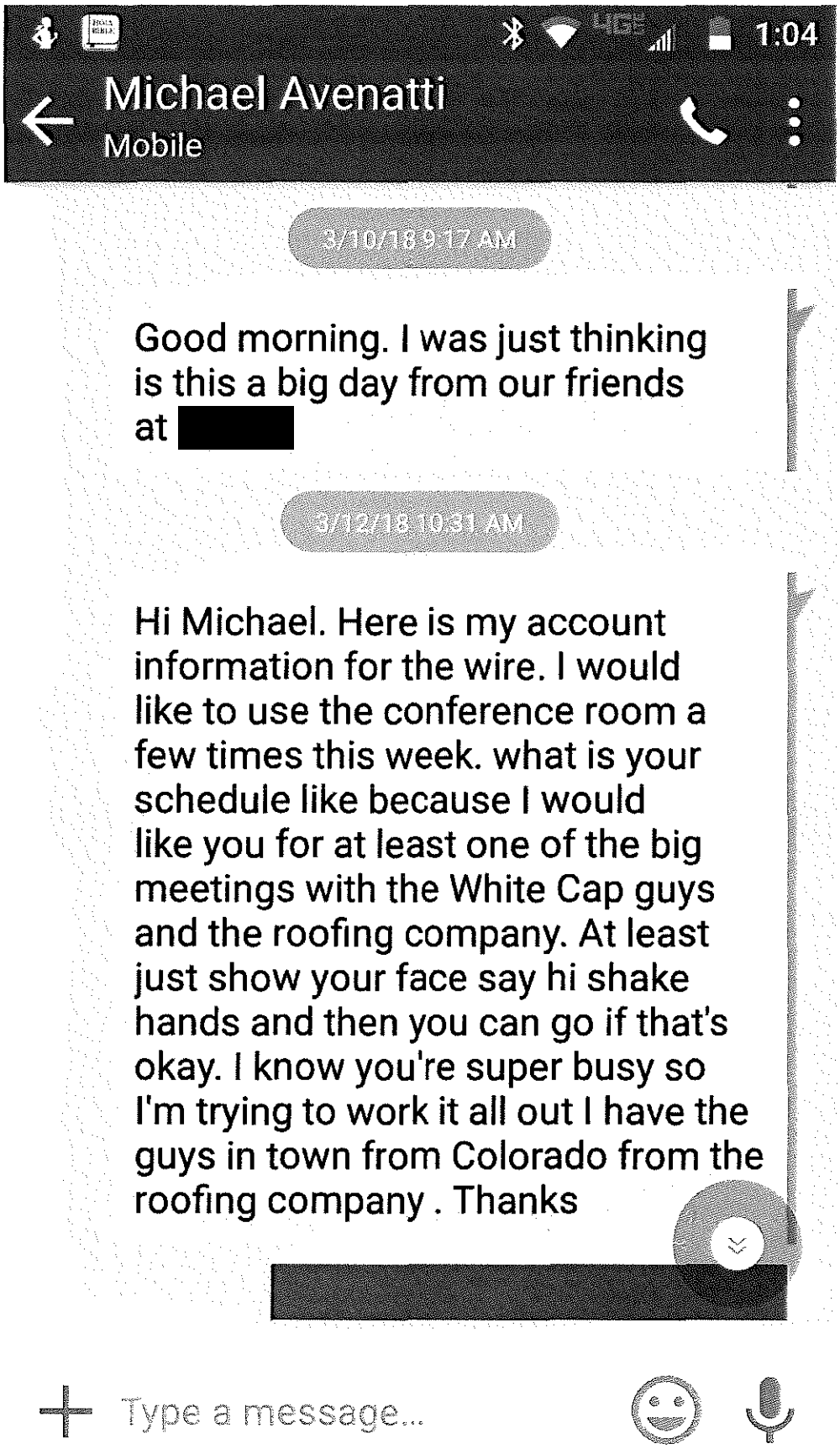
28. This Agreement may be executed by Barela and [redacted] in separate counterparts and exchanged electronically, with the same effect as if Barela and [redacted] had signed the same instrument.

Barela and [redacted] hereby acknowledge their agreement and consent to the terms and conditions set forth above through their respective signatures by a duly authorized representative of each party.

GREG BARELA _____ Date: _____	[redacted] d/b/a [redacted] By: _____ Its: President Date: 28 Dec 2017

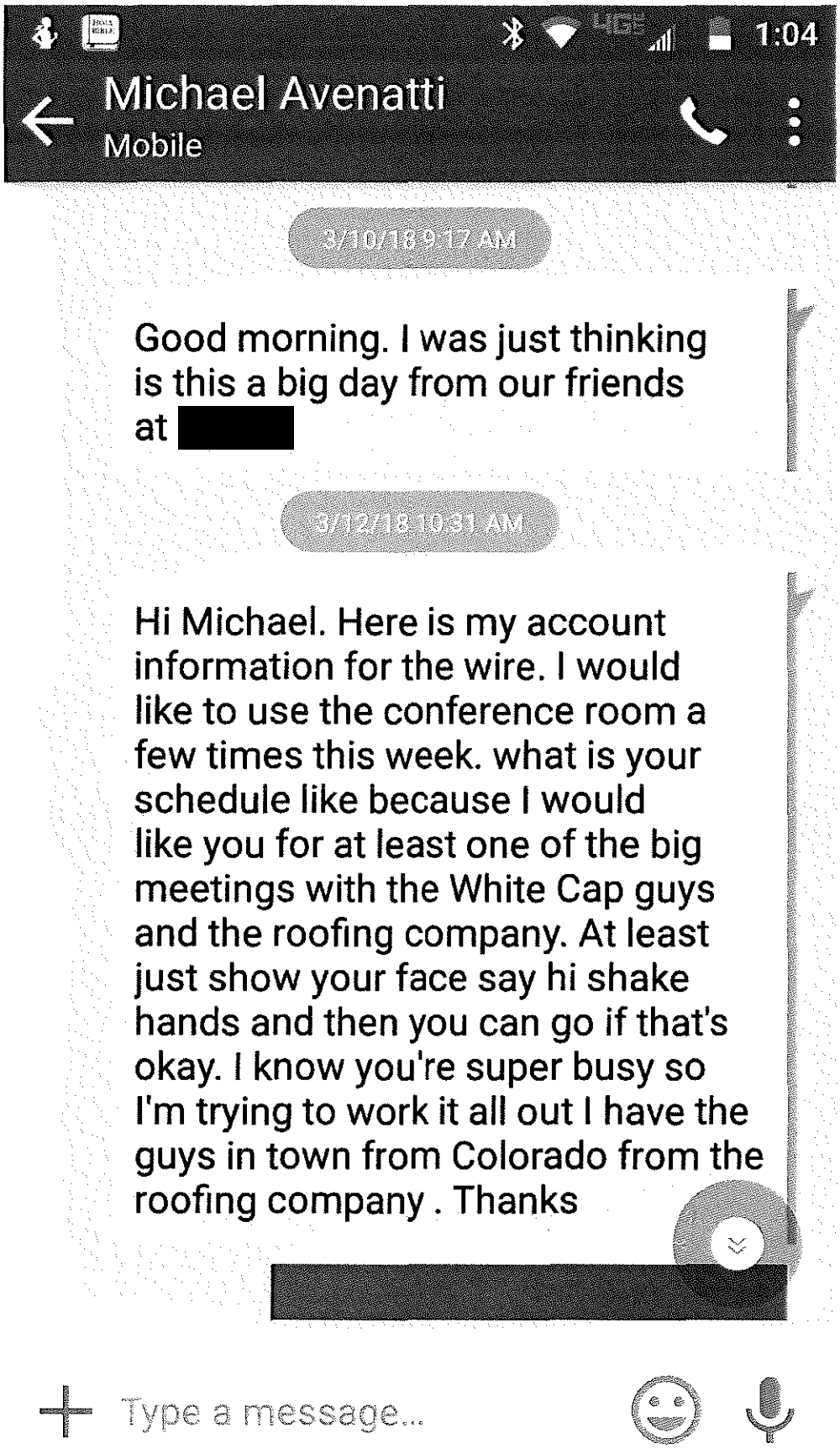
GREG BARELA	[redacted]
	By: [redacted]
	Its:
Date: 12-28-17	Date:

EXHIBIT 3



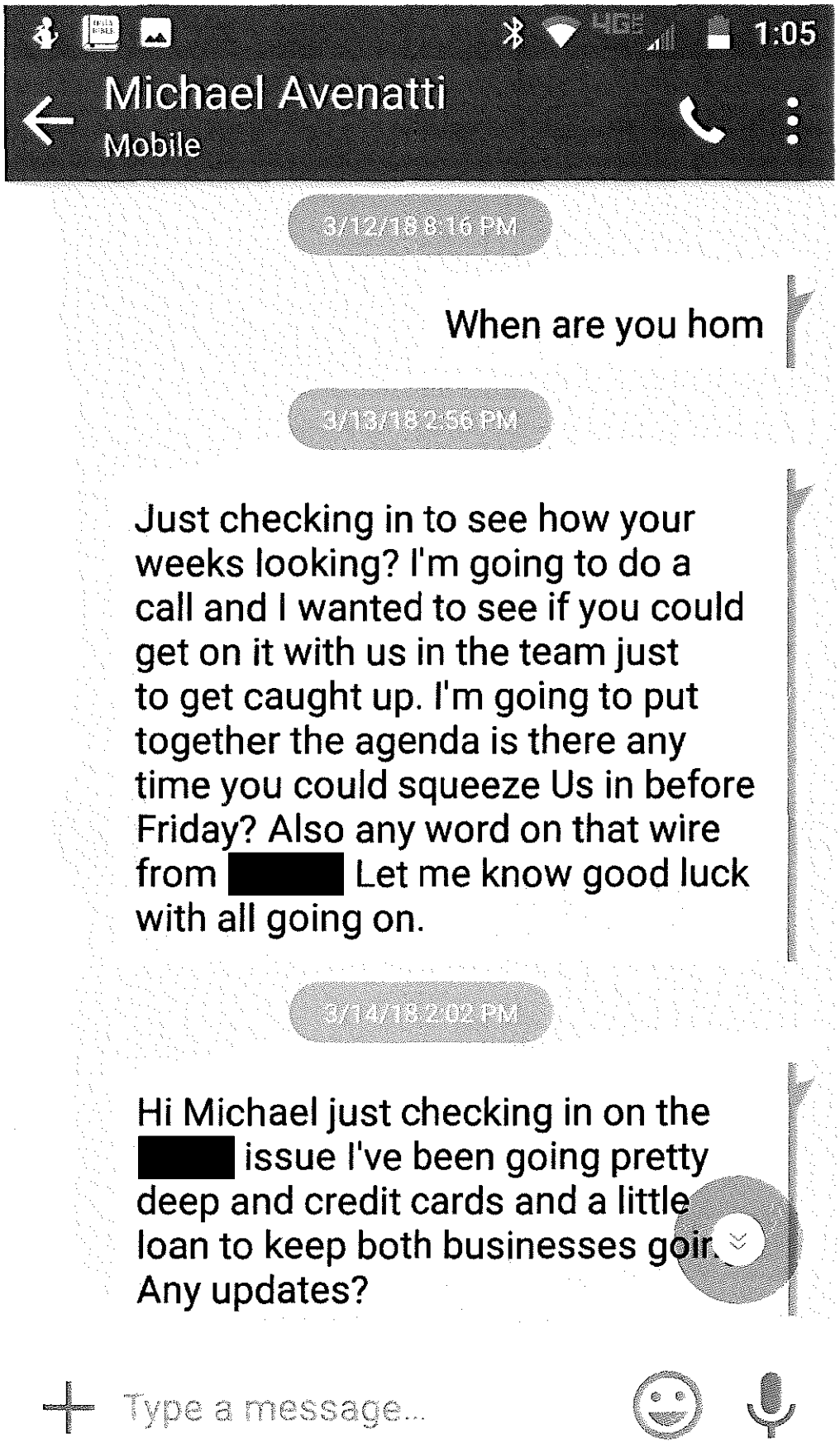
Batch 1 Text Messages

EXHIBIT 4



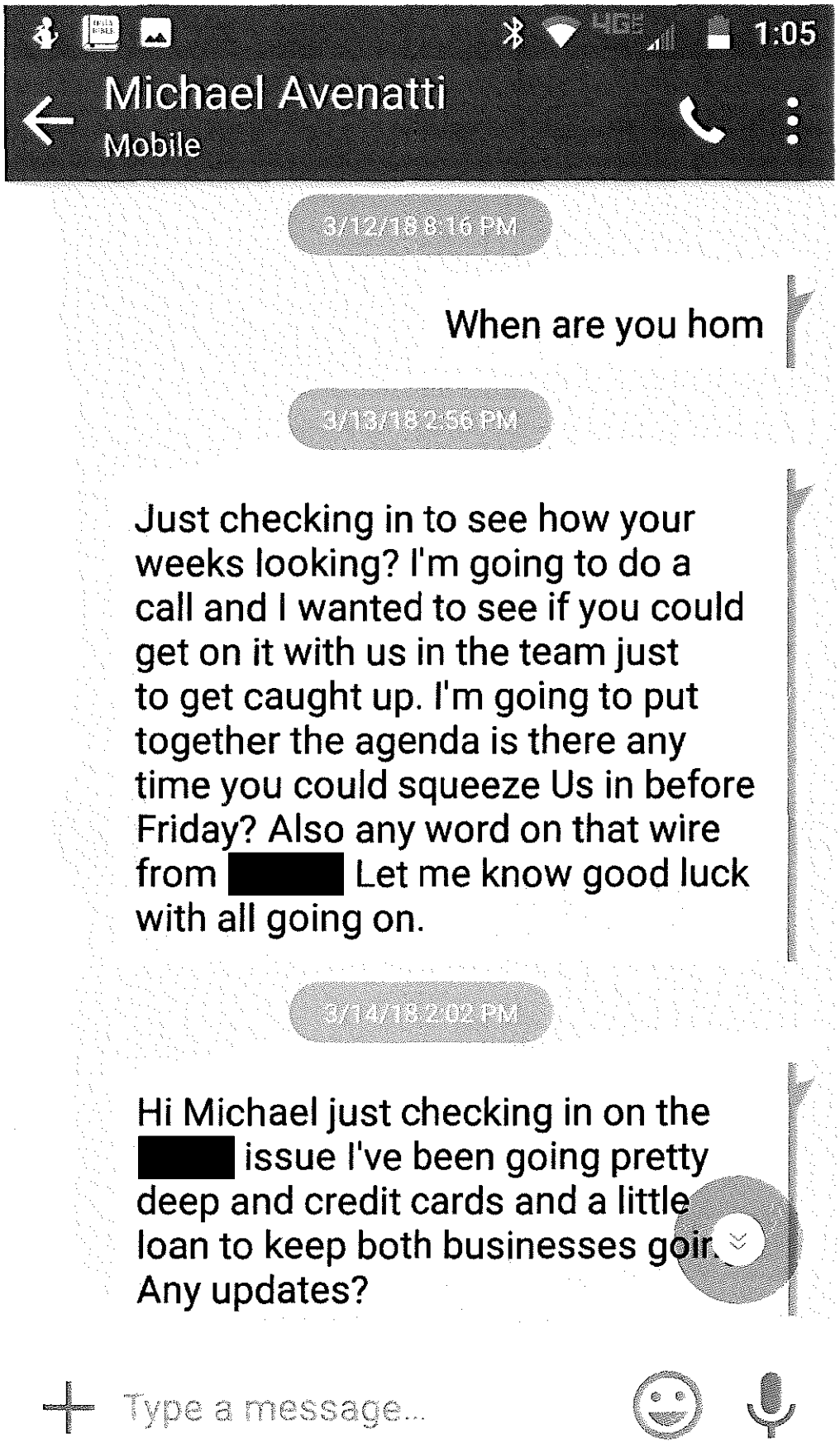
Batch 1 Text Messages

EXHIBIT 5



Batch 1 Text Messages

EXHIBIT 6



Batch 1 Text Messages

EXHIBIT 7

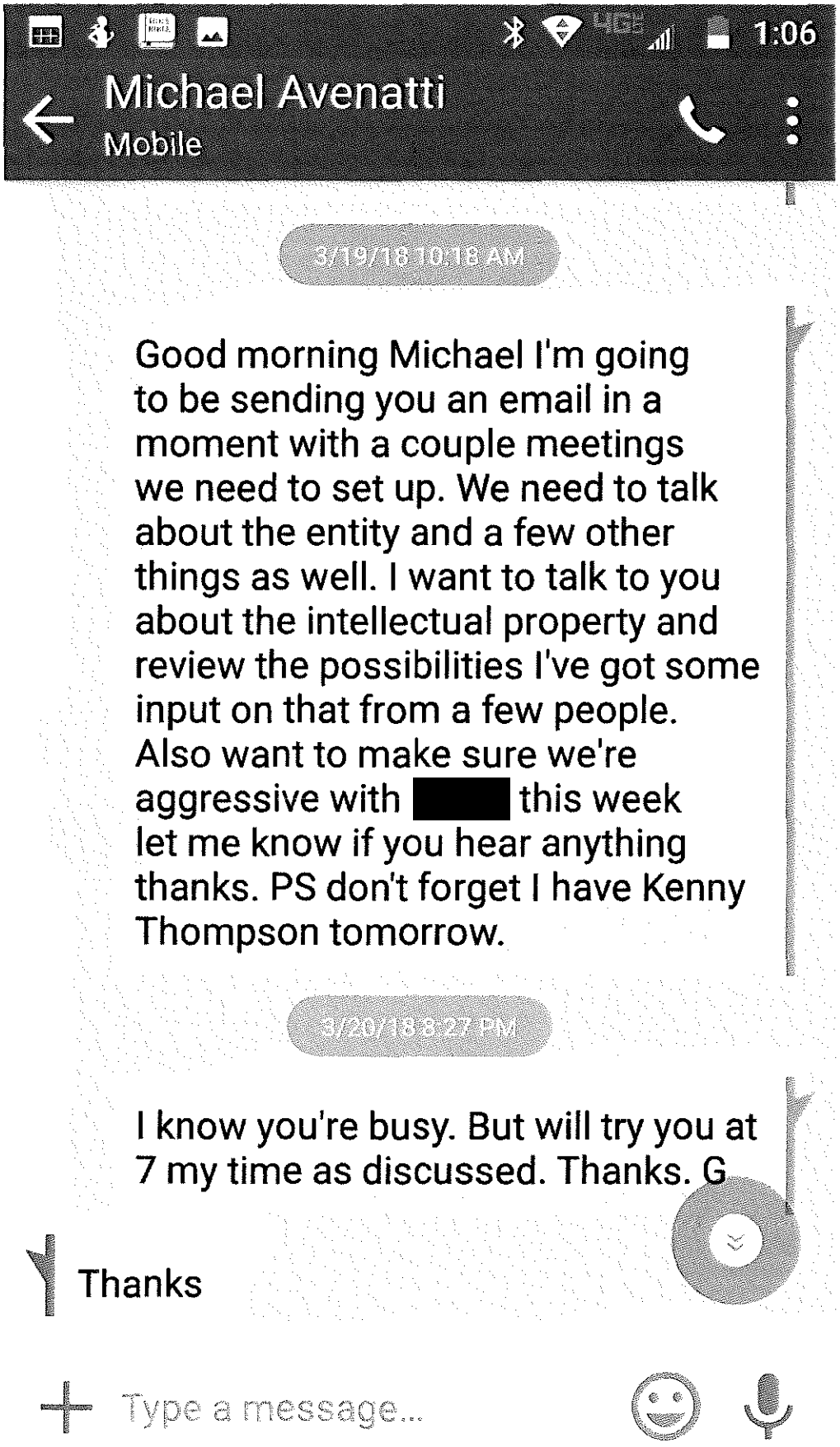
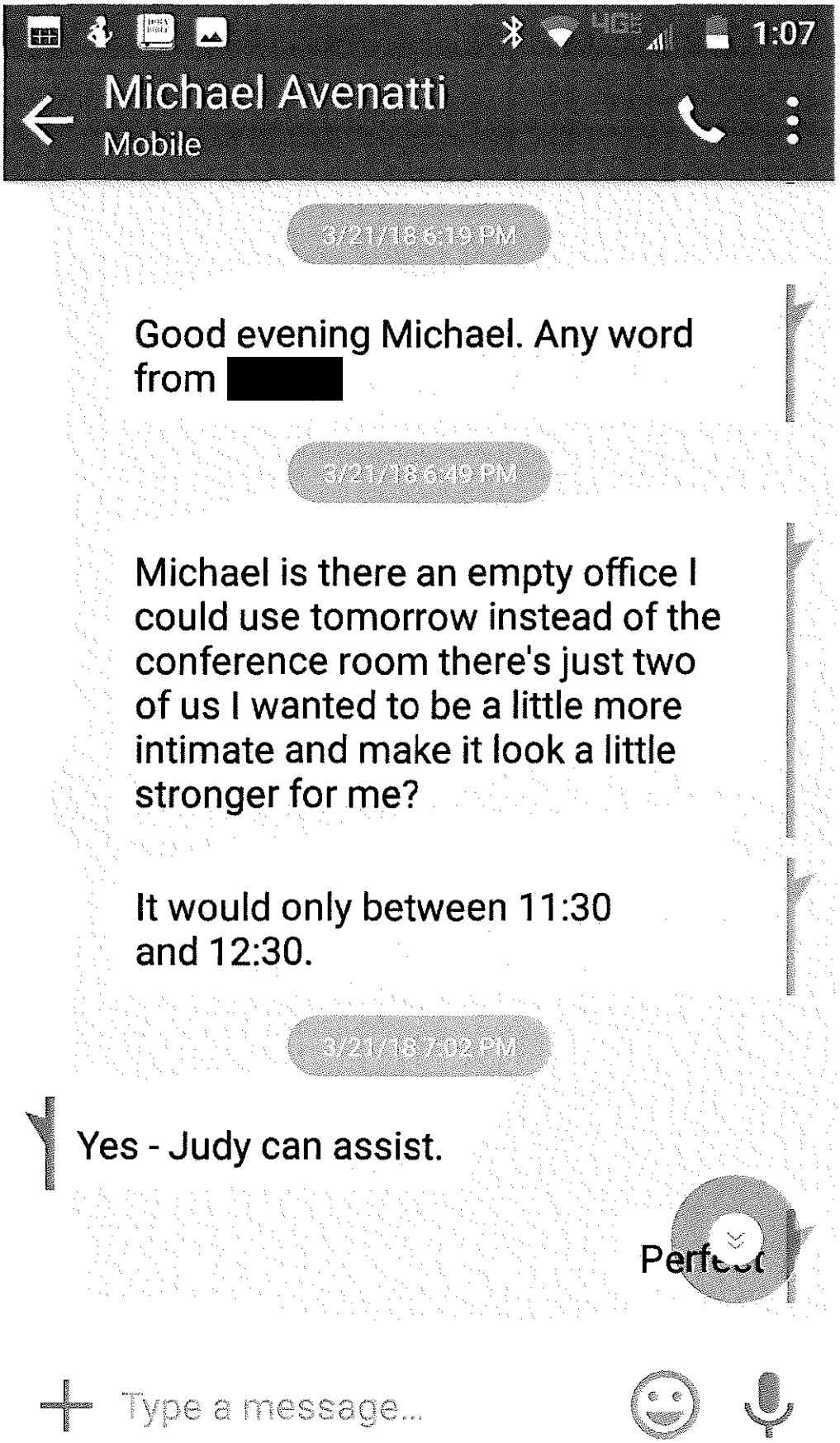

1:06
Michael Avenatti
Mobile
3/19/18 10:18 AM
Good morning Michael I'm going to be sending you an email in a moment with a couple meetings we need to set up. We need to talk about the entity and a few other things as well. I want to talk to you about the intellectual property and review the possibilities I've got some input on that from a few people. Also want to make sure we're aggressive with [redacted] this week let me know if you hear anything thanks. PS don't forget I have Kenny Thompson tomorrow.
3/20/18 8:27 PM
I know you're busy. But will try you at 7 my time as discussed. Thanks. G
Thanks
Type a message...

EXHIBIT 8



Batch 1 Text Messages

EXHIBIT 9

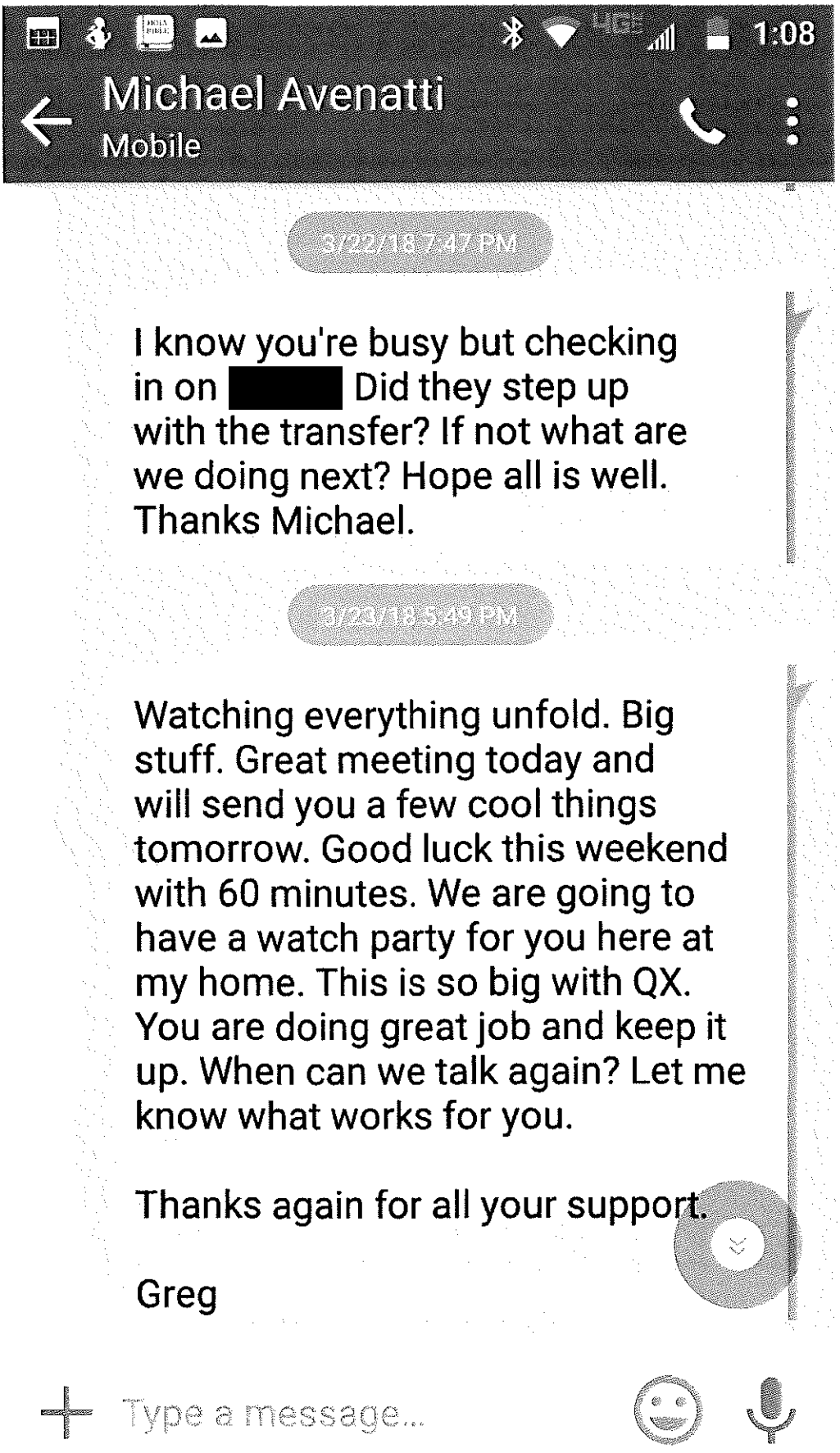
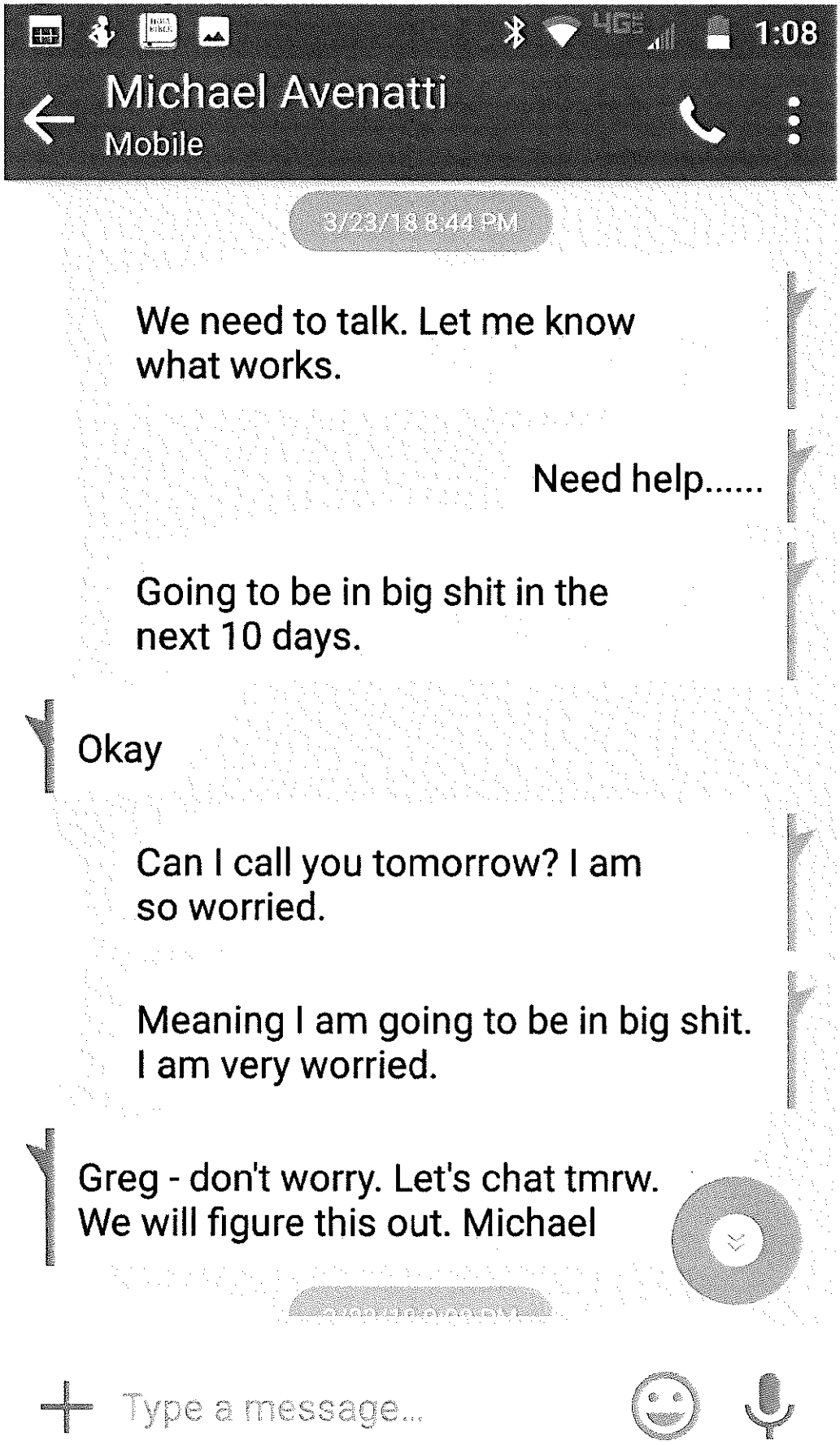

1:08
Michael Avenatti
Mobile
3/22/18 7:47 PM
I know you're busy but checking in on [redacted] Did they step up with the transfer? If not what are we doing next? Hope all is well. Thanks Michael.
3/23/18 5:49 PM
Watching everything unfold. Big stuff. Great meeting today and will send you a few cool things tomorrow. Good luck this weekend with 60 minutes. We are going to have a watch party for you here at my home. This is so big with QX. You are doing great job and keep it up. When can we talk again? Let me know what works for you.
Thanks again for all your support.
Greg
Type a message...

EXHIBIT 10



Batch 2 Text Messages

EXHIBIT 11

Greg Barela

From: Greg Barela
Sent: Monday, April 2, 2018 1:26 PM
To: Michael J. Avenatti
Subject: Thanks!

Hi Michael,

Thanks again for taking the time to meet! I talked with Tallie my wife and if we can get 112k that would be best if possible for the next 60 days. But what ever you can do is great. I am putting another 8k today and need 10k right after for the new biz. I am out of pocket about 250k right now for both businesses. I have about 40k due to Waypoint and I am working on collections. Most of it is on credit cards and minimum payments are huge. I am working on the rest of the information for the formation of the company and the equity for the team. Things are really moving fast and we need to get set up as soon as possible. I will have projections and the plan by the end of the week.

To-Do's:

1. Set up new corp.
2. Equity partners list. Need to discuss how vesting works and %?
3. Capital required for start 2 mil. If it is going to take more then 24 months then more cash will be required and depending on our direction we need to discuss. But we must move quickly.

For wire:

Bank of America
Waypoint PPG, LLC
Routing: 026009593
Account #: [redacted]6040

Best regards,

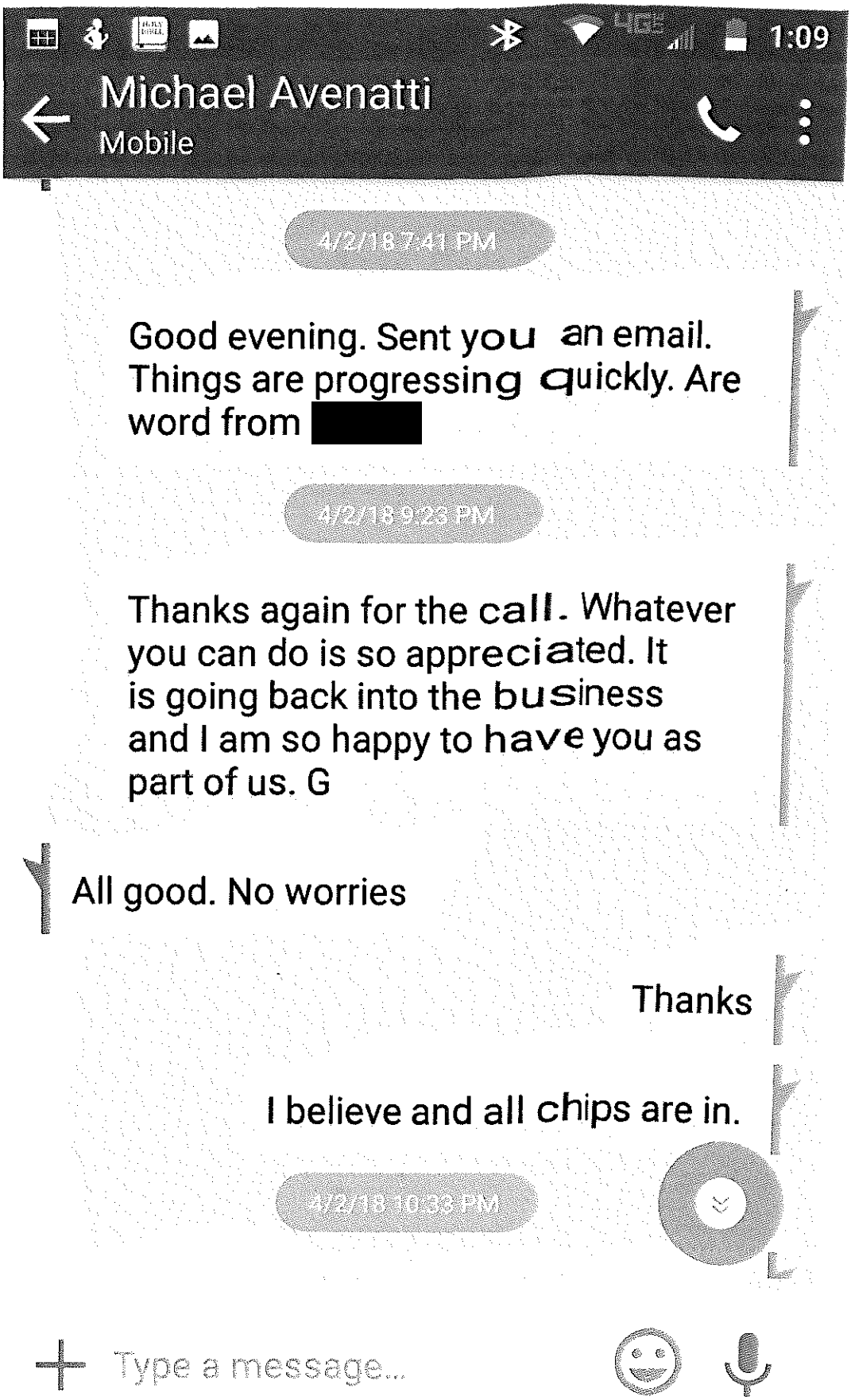
Greg Barela
949-769-1679

WayPoint
The Product Placement Group

"Proudly Representing"

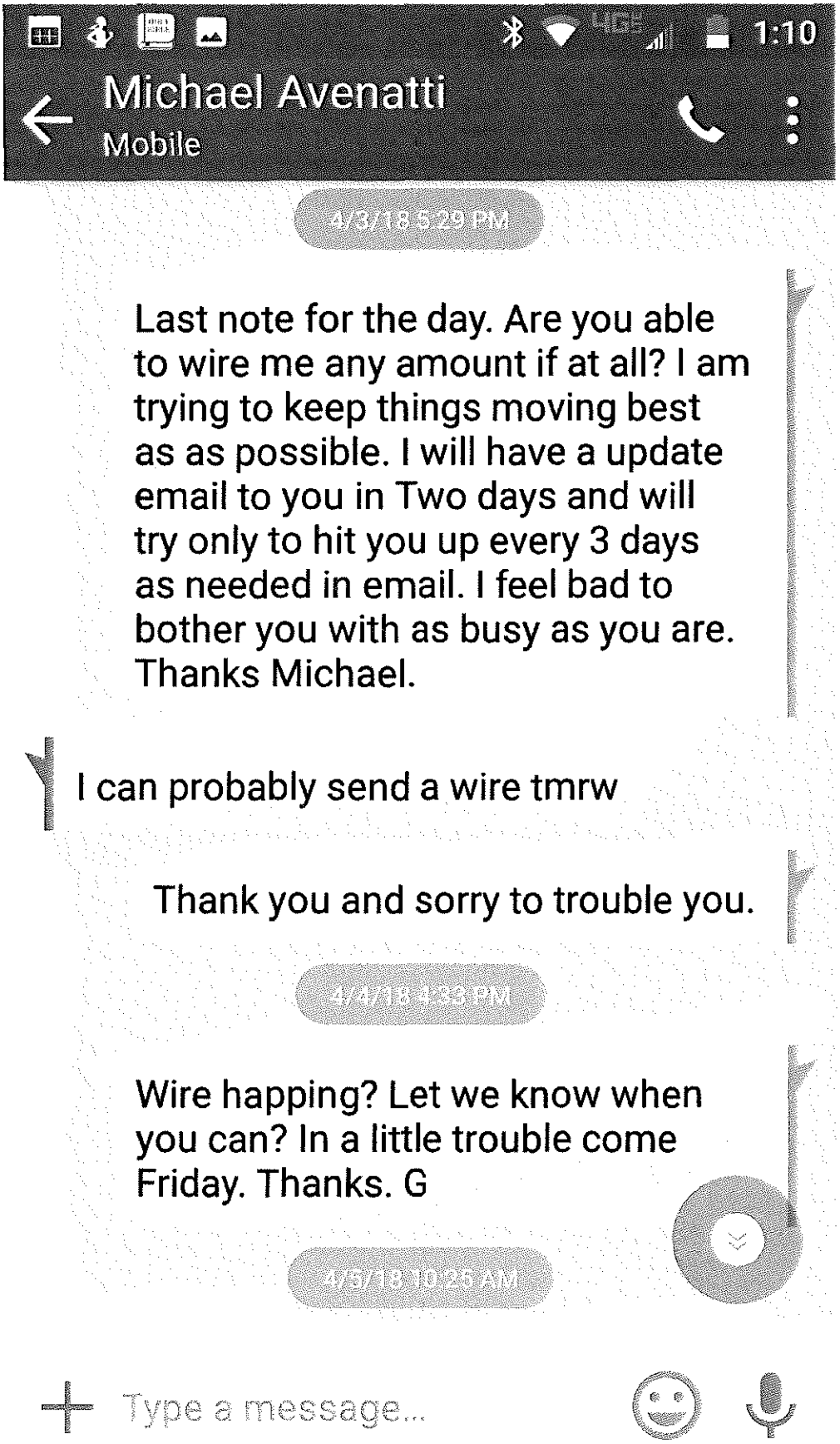
PRISM HARDSCAPES
Changing the Landscape

EXHIBIT 12



Batch 2 Text Messages

EXHIBIT 13



Batch 2 Text Messages

EXHIBIT 14

Gmail

Greg Barela <gregabarela@gmail.com>

Wire and [redacted]

1 message

Greg Barela <gregabarela@gmail.com> Thu, Apr 5, 2018 at 9:16 AM
To: Michael Avenatti <mavenatti@eaganavenatti.com>

Michael,

I made commitments after our meeting on Saturday and committing 50k that Monday or Tuesday. I am going to be in trouble by Friday. Please make this happen today. I also would like to discuss my options for collections on [redacted]

For wire:

Bank of America
Waypoint PPG, LLC
Routing: 026009593
Account #[redacted]6040

--
Greg Barela
949-769-1679

EXHIBIT 15

gregb@quixsupply.com

From: gregb@quixsupply.com
Sent: Sunday, April 15, 2018 7:50 AM
To: 'Michael J. Avenatti'
Subject: Sunday call

Good morning Michael,

Here are a few things to discuss.

Michael Avenatti:
Old business:

1. Status of [redacted]
2. Next actions if not collected. (Need a plan as fast as possible. 250k out of pocket based on settlement.) I am good for 60 days form time of advance on cash flow now.

QuiX Supply

1. Corporation status?
2. Equity plan and vesting strategy with %?
    a. Michael Avenatti
    b. Steve Ross
    c. Jason Schneider
    d. John Balsz
    e. Rick Armstrong
    f. Brian Newberry
    g. Allen Wong
3. Investment strategy? I have several options, but I think you have an idea of what we should do? Finical plan will be complete shortly and it appears to be 2 mil. We need to engage Spark6 asap.
4. Meeting with IP lawyer? This is supper important.

My Updates;

- Business plan almost complete
- Financial almost complete
- Test App complete

Important meetings and relationships underway:
SoftBank – Steve Spohn
Thompsons – Kenney Thompson
Plastic Cash International – Brian Newberry
CW Driver – Karl Kreutziger
Spark6 - Team
The Blue Book – Richard Johnson
Jeff Wallace – Bay area seed investor
Brian Etter – President of HD Supply

EXHIBIT 16

gregb@quixsupply.com

From: gregb@quixsupply.com
Sent: Sunday, April 22, 2018 2:15 PM
To: 'Michael J. Avenatti'
Subject: RE: Sunday call

Hi Michael,

I know how busy you were last week and figured I would wait till the weekend to check in.

I have 4 things to check in on:

1. Did [redacted] respond?
2. Next action if not?
3. Status of QuiX Corp. Set up yet?
4. IP lawyer available for a discussion?

Thanks and good luck with all underway.

Greg

From: Michael J. Avenatti <mavenatti@eaganavenatti.com>
Sent: Monday, April 16, 2018 1:44 AM
To: gregb@quixsupply.com
Subject: Re: Sunday call

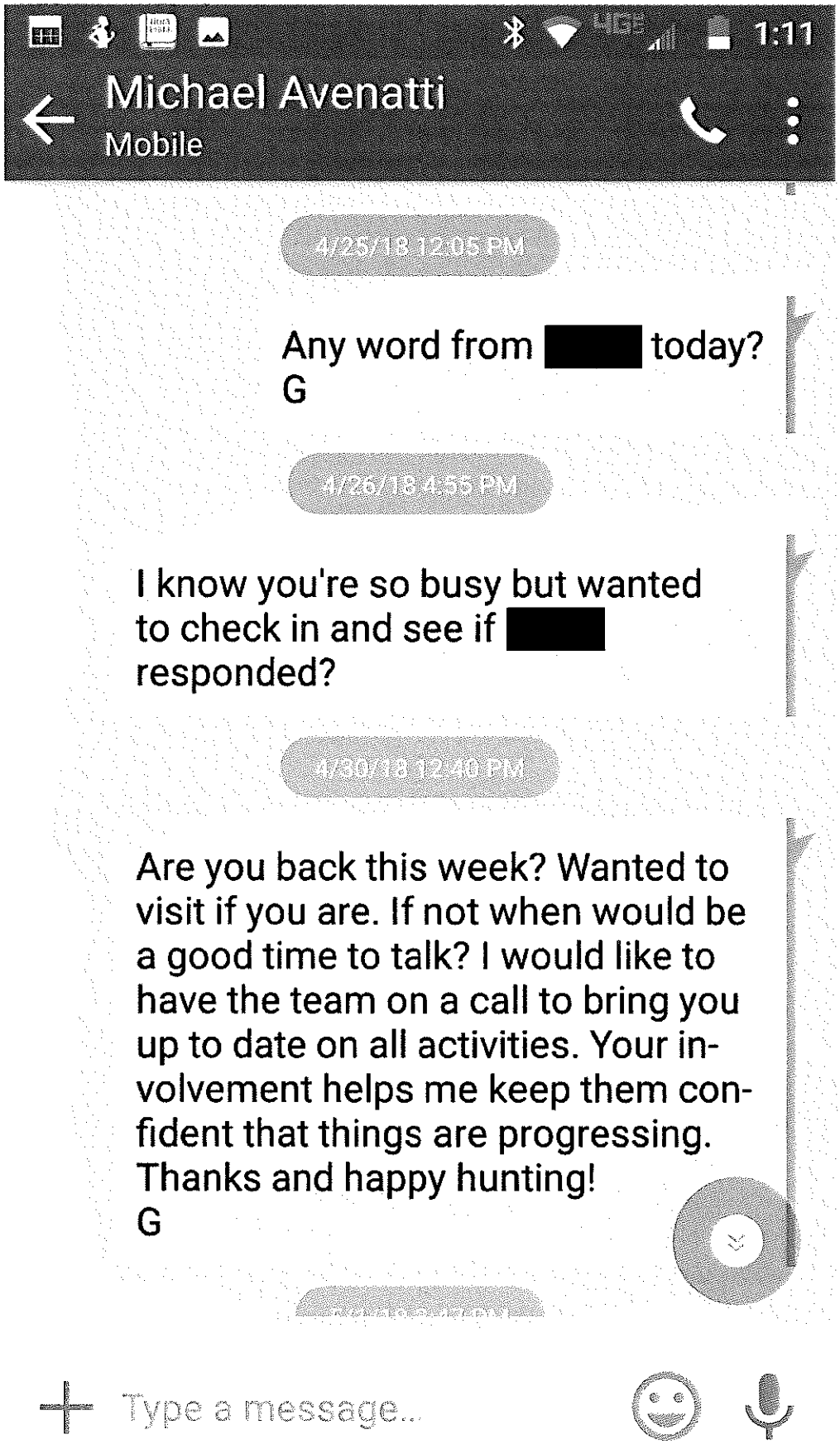
Morning Greg. I can chat this am around 8 your time. Good?

Michael J. Avenatti, Esq.
Eagan Avenatti, LLP
520 Newport Center Drive, Ste. 1400
Newport Beach, CA 92660
Tel: (949) 706-7000
Fax: (949) 706-7050
Cell: (949) 887-4118
mavenatti@eaganavenatti.com

On Apr 16, 2018, at 12:58 AM, "gregb@quixsupply.com" <gregb@quixsupply.com> wrote:

> When is a good time to call tomorrow?

EXHIBIT 17



Batch 2 Text Messages

EXHIBIT 18

Greg Barela

From: Greg Barela
Sent: Monday, May 7, 2018 6:36 PM
To: Michael J. Avenatti
Subject: action list

Hi Michael,

Here is the short list:

- [redacted] next action.
- Status of QuiX Corp
- Equity plan and vesting strategy with %?
  - Michael Avenatti
  - Steve Ross
  - Jason Schneider
  - John Balsz
  - Rick Armstrong
  - Brian Newberry
  - Allen Wong
  - Jon Freeman
- Cash partner for investment.
- IP lawyer. ASAP
- Meeting with Citi Bank and Master Card.
- Business plan almost complete
- Financial almost complete
- Test App complete

I am scheduling a meeting with the team on Thursday. I would like 10 minutes of your time then. Working on scheduling the credit card meeting and will keep you posted. If [redacted] does not pay soon I may need a little help in the next two weeks.

Thanks for everything as always!

Best regards,

Greg Barela
949-769-1679

WayPoint

"Proudly Representing"

EXHIBIT 19

Greg Barela

From: Greg Barela
Sent: Tuesday, May 15, 2018 5:44 PM
To: Michael J. Avenatti
Subject: Let's talk as soon as you can!
Attachments: App Flow.pdf

Michael,

I will be quick with my message because I know you are on a crazy schedule. I do need to figure out how to proceed on many fronts and I am losing credibility with my team and wife. As discussed I thought and planned on us having collected the [redacted] settlement in May. So I am in a bad position now. I do appreciate the advance but I am going to be in trouble on the 1st of June. I made commitments based on the settlement date. I am funding both business and holding on by a shoe string. Please let me know where we are with the following:

[redacted]

1. Did [redacted] respond or pay?
2. If no what are we filling this week?

QuiX:

1. IP need this meeting this week or first of next week. Please find the attached.
2. Corporation set up and appointment of corporate officers? Need paperwork for Rick.
3. Equity plan and agreements?
4. Capital investment on the raise.
5. Your date for the Citi Bank meeting middle of June?
6. Conference call with the team and or meeting?

The business plan is being put in a magazine format with the financials. You are going to be very surprised on the progress and I believe very impressed.

I wish you the best and look forward to getting this done!

Best regards,

Greg Barela
949-769-1679

WayPoint

"Proudly Representing"

EXHIBIT 20

Greg Barela

From: Michael J. Avenatti <mavenatti@eaganavenatti.com>
Sent: Tuesday, May 22, 2018 2:07 PM
To: Greg Barela
Cc: Judy K. Regnier
Subject: Re: Wire

Got it. Thanks.

Michael J. Avenatti, Esq.

On May 22, 2018, at 1:55 PM, Greg Barela <greg@waypointppg.com> wrote:

> Hi Michael,
>
> I will be putting an email together on our meeting to follow up on. But I wanted to give you new wire instructions for the 60k.
>
> Talitha A Barela
> B of A
> Routing #: 026009593
> Account #: [redacted]3132
>
> Thanks!
>
> Best regards,
>
> Greg Barela
> 949-769-1679
>
> <image008.jpg>
>
> **"Proudly Representing"**
> <image009.jpg>
> http://www.prismhardscapes.com/
>
> <image010.jpg>
> https://www.playfieldgrass.com/
>
> <image007.png>

EXHIBIT 21

gregb@quixsupply.com

From: gregb@quixsupply.com
Sent: Monday, June 25, 2018 4:49 PM
To: 'Michael J. Avenatti'
Cc: 'Judy K. Regnier'
Subject: Greg Barela list

Per our discussion and your request here is the list of reminders for the week:

1. Advance on Tuesday for 30k. Judy same account as last time. Thanks!
2. Review list for equity and plan. Sent over the weekend.
3. [redacted] filling for Tuesday. 1.6 million due.
4. IP meeting asap.
5. Meeting with you and Brian Newberry as soon as you can. QuiX new President.

I hope to chat the next few days to review the short list.

Thanks!

Best regards,

Greg Barela
949-769-1679

EXHIBIT 22

gregb@quixsupply.com

From: gregb@quixsupply.com
Sent: Wednesday, August 15, 2018 6:02 PM
To: 'Michael J. Avenatti'
Subject: Greg Barela List. Tomorrow is my big scary day!

Hi Michael,

Tomorrow is my day in court and I will keep you posted. I am nerves but will have my wife call you if it goes bad.

Here is the list we discussed:

Old business:

- [redacted] filling you said would happen Wednesday. Yes or No?
- I am short 14k for this week. I borrowed 80k and have a short period of time to pay back. Can you help me with the 14? This is the hottest one for me.

QuiX

- Staff agreements.
- The money raise with Wags.com. Any updates?
- Beta test contractor agreement.
  I have a very powerful CEO/President meeting with me next week. She wants to discuss running the business as our President. Meet Nina: http://ninasimosko.com/blog/about/
- http://www.sparkpluglabs.co/awesome-woman/ninasimosko1 .
- Her Husband name is Jeff Wallace. He will be on the BOA and is setting up a meeting next week with the CTO of Intuit (QBO) for me. One of his best friends. His other BFF is Steve Woznickl. I want you at the dinner if possible.
- Please schedule meeting with Deirdre Lves schedule with you in NY. Waiting on MOU.
- My Team is leaving for Brazil on Sunday. We should have the meeting set with Carlos Slim in NY in 5 weeks.
- I meet with Vicenta Fox's team Thursday afternoon. They want a face to face with us the next month. I will make sure you are there if it is possable.

The next few weeks we need the following:

- Privacy statement
- Terms and conditions

Thanks!

mBest regards,

( ) Barela
949-769-1679

EXHIBIT 23

gregb@quixsupply.com

From: gregb@quixsupply.com
Sent: Monday, September 10, 2018 12:08 PM
To: 'Michael J. Avenatti'
Cc: 'Judy K. Regnier'
Subject: Wire

Hi Michael,

I really need the help on this wire as discussed. Please let me know when it happens today.

Talitha A Barela
B of A
Routing #026009593
Account [redacted]3137

Thanks!

Best regards,

Greg Barela
949-769-1679

EXHIBIT 24

gregb@quixsupply.com

m:	gregb@quixsupply.com
t:	Wednesday, October 10, 2018 2:13 PM
	'Michael J. Avenatti'
Subject:	Need some help

Michael,

I was hoping to have an update on [redacted] and get our money. Do you have an update? But I know things take longer then we want sometimes. I need around 8k to get current and keep moving. Can you help with this till we have an update?

Thanks and hope you can help!

Greg

EXHIBIT 25

gregb@quixsupply.com

om: gregb@quixsupply.com
nt: Sunday, October 14, 2018 7:39 PM
To: 'Michael J. Avenatti'
Subject: Action list

Hi Michael,

Here is the list of items to discuss:

Personal:

1. I am in need of 8k asap. If this could happen Monday it would give me a little more time. I need a total of 27k between now and Jan 1 to keep things moving, less the 8k. I am working on a few other things but the 8k is needed now. I am funding this thing on my own because I thought we would have [redacted] in hand by now. Once again a lesson for me. Don't count your chickens!
2. [redacted] did they respond? If not what is our next action? It will be one year in December and they will owe the second payment in March. Are we still dealing with Judge Boyd Boland and David Sheikh? Can we discuss a go forward strategy till this is handled?
3. Can you send me a copy of the last thing that we filed?

QuiX:

1. Paperwork on Ricks email? Where are we with this and can we help?
    a. We would like to discuss separating the two companies. One for the app and the second for the credit card. I will explain when we talk.
2. Raise package for Eric Schmidt. You should have two emails to choose from.
3. Steve Ross and my involvement together with the order from the court. Please review email.

Meetings coming and hopefully you can call in or be there:

1. Call with John at IP capital.
2. Carlos Slims team. NDA anytime to follow.
3. Nina Simasko and Jeff Wallace.
4. Lee Stein. It looks like Monday for a call.

Thanks and look forward to talking!

Best regards,

Greg Barela
949-769-1679

EXHIBIT 26

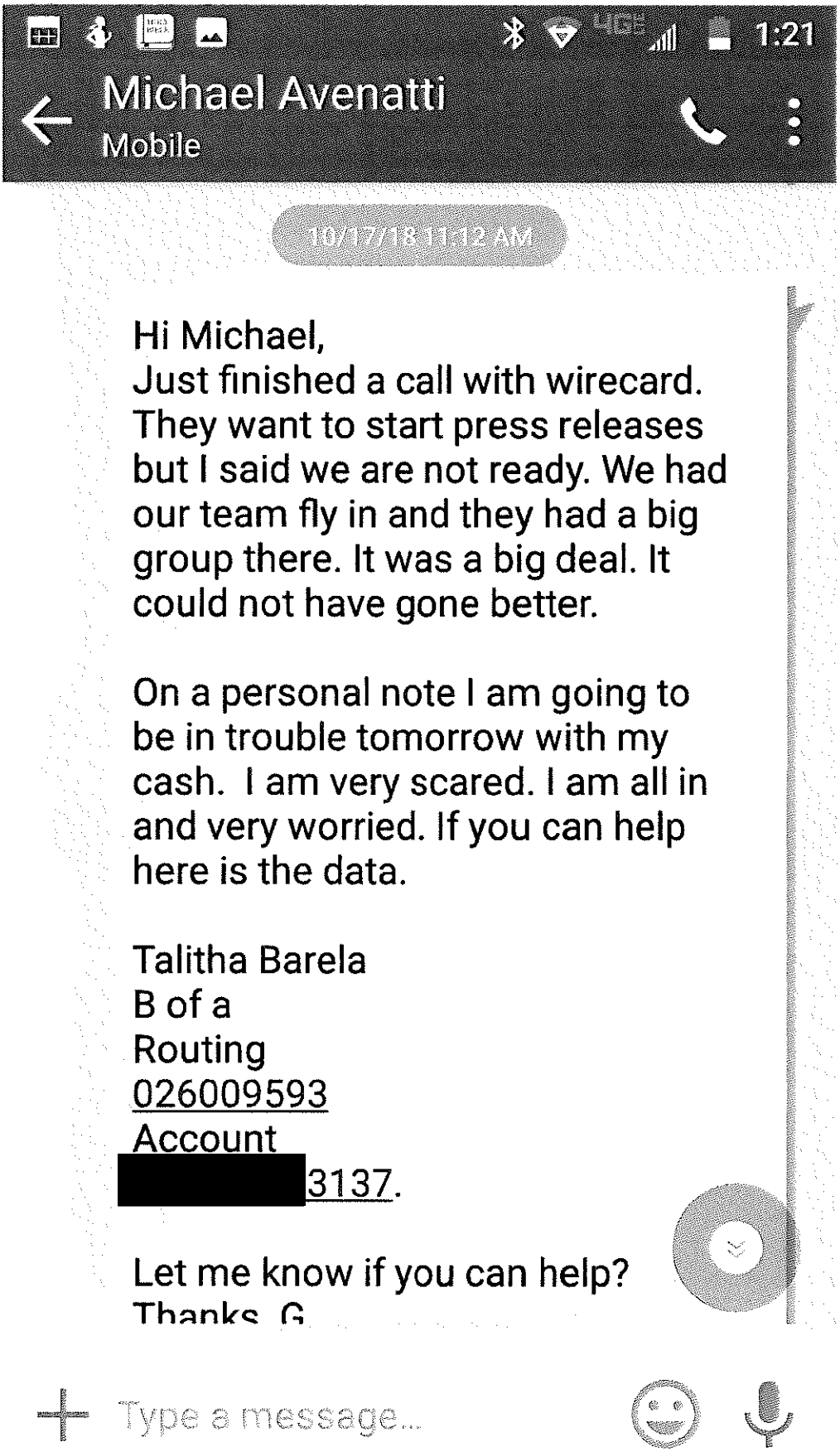

1:21
Michael Avenatti
Mobile
10/17/18 11:12 AM
Hi Michael,
Just finished a call with wirecard. They want to start press releases but I said we are not ready. We had our team fly in and they had a big group there. It was a big deal. It could not have gone better.
On a personal note I am going to be in trouble tomorrow with my cash. I am very scared. I am all in and very worried. If you can help here is the data.
Talitha Barela
B of a
Routing
026009593
Account
[redacted]3137.
Let me know if you can help?
Thanks G
Type a message...

EXHIBIT 27

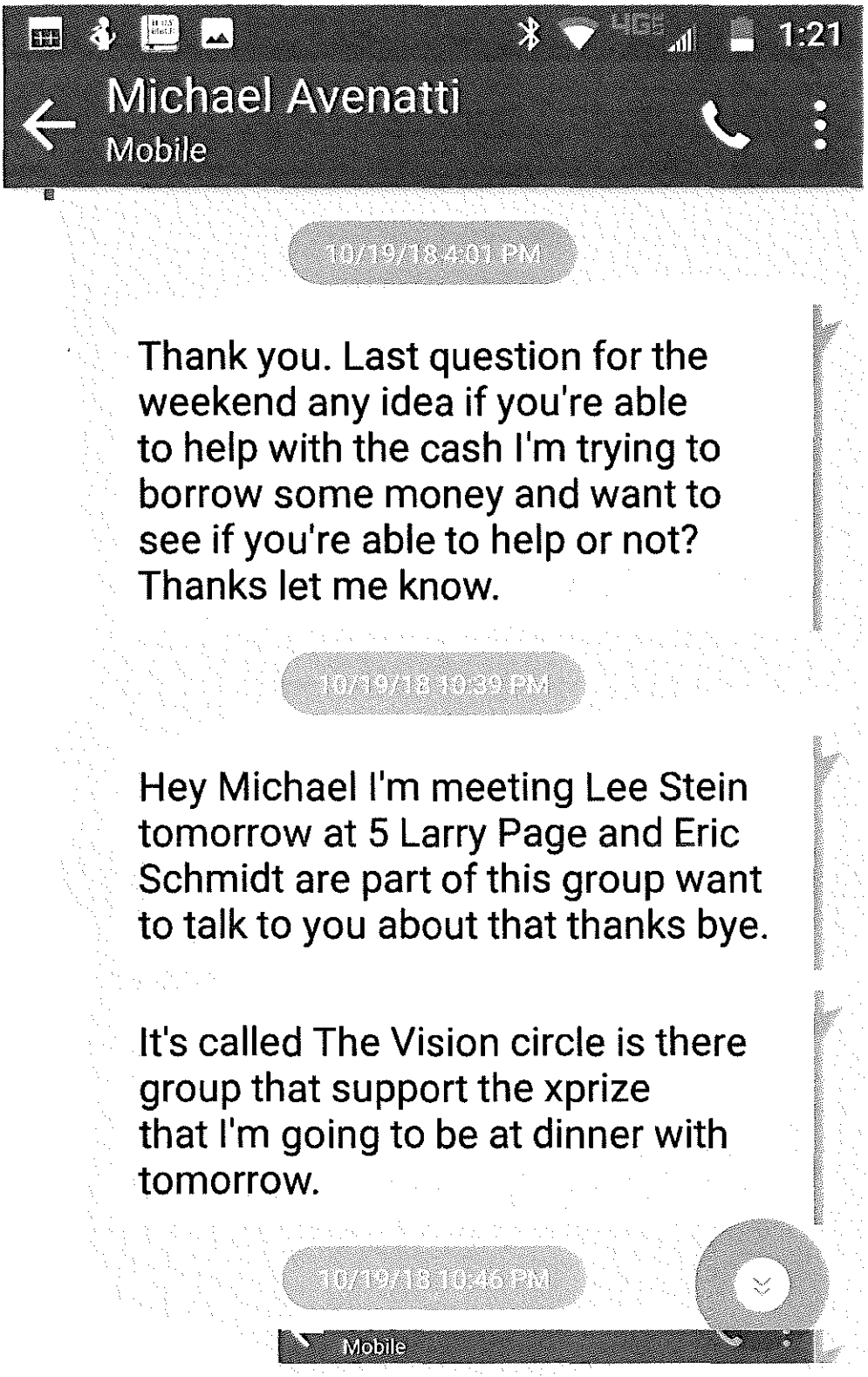

1:21
Michael Avenatti
Mobile
10/19/18 4:01 PM
Thank you. Last question for the weekend any idea if you're able to help with the cash I'm trying to borrow some money and want to see if you're able to help or not? Thanks let me know.
10/19/18 10:39 PM
Hey Michael I'm meeting Lee Stein tomorrow at 5 Larry Page and Eric Schmidt are part of this group want to talk to you about that thanks bye.
It's called The Vision circle is there group that support the xprize that I'm going to be at dinner with tomorrow.
10/19/18 10:45 PM
Mobile
Type a message...

EXHIBIT 28

gregb@quixsupply.com

From: gregb@quixsupply.com
Sent: Monday, October 22, 2018 5:36 PM
To: 'Michael J. Avenatti'
Subject: List
Attachments: QuixSupply Inc corp work needed before seed funding

Michael,

I was waiting for your call and I know you get busy. I send updates like this so you don't have to dig up old emails. I know your under pressure so let's discuss what you can or can't do? I told the team we would have paperwork for them by Wednesday as you said. Can you give me an update to your situation so I can help if possible. QuiX really is going to go one way or another and could help us both financially. I have a few ideas for you and I to discuss privately.

I just so you know I am in real financial trouble and am working on trying to get another loan. I am trying to use the [redacted] agreement to secure it. I need to know that we really have the ability to collect and timing to the best of you opinion.

Here is the of the updated list to discuss:

Personal:

1. I am in need of 8k as discussed asap. I need a total of 27k.
2. [redacted] did they respond? If not what is our next action? Are we still dealing with Judge Boyd Boland and David Sheikh?
3. I need copies of the all the paperwork of whatever we have done on [redacted] on any fillings. Can you have Judy email me or I can come by and pick them up this week. I need them if I am going to get a loan.

QuiX:

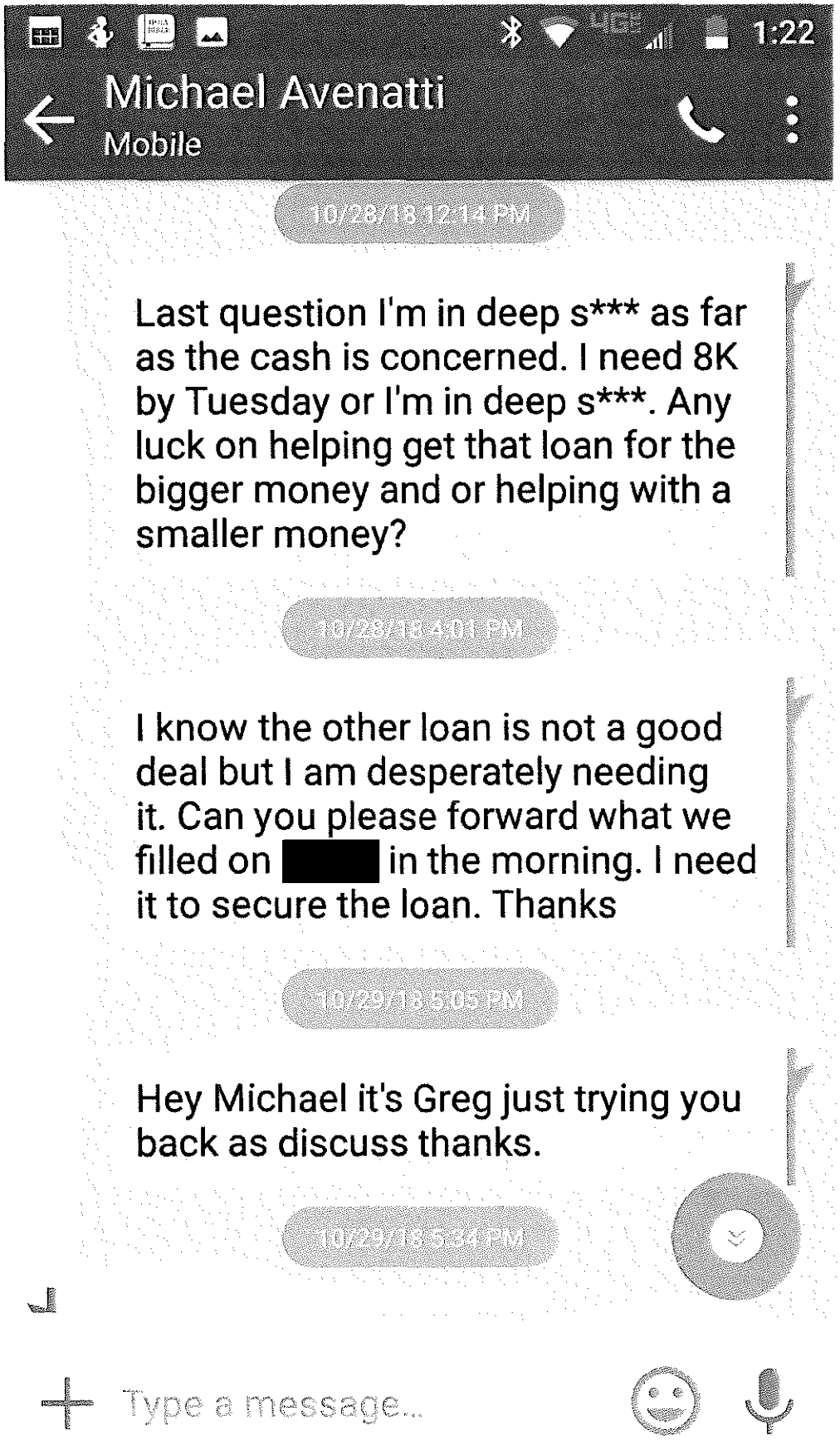
1. Paperwork on Ricks email? I attached the email.
    a. We would like to discuss separating the two companies. One for the app and the second for the credit card. I will explain when we talk.
2. Raise package for Eric Schmidt. You should have two emails to choose from. Let's discuss Lee Stein endorsement for Xprize.
3. Steve Ross and my involvement together with the order from the court. Please review email.
4. Approval of Wirecard press release.
5. Friends and family round.
6. Carlos Slim's teams NDA.
7. Doordash.com merchant agreement. We need our own like this.
8. Call with John at IP capital.
9. Meeting with Nina Simasko and Jeff Wallace.

Let me know what time we can talk tomorrow.

Thanks!

regards,

EXHIBIT 29



Batch 4 Text Messages

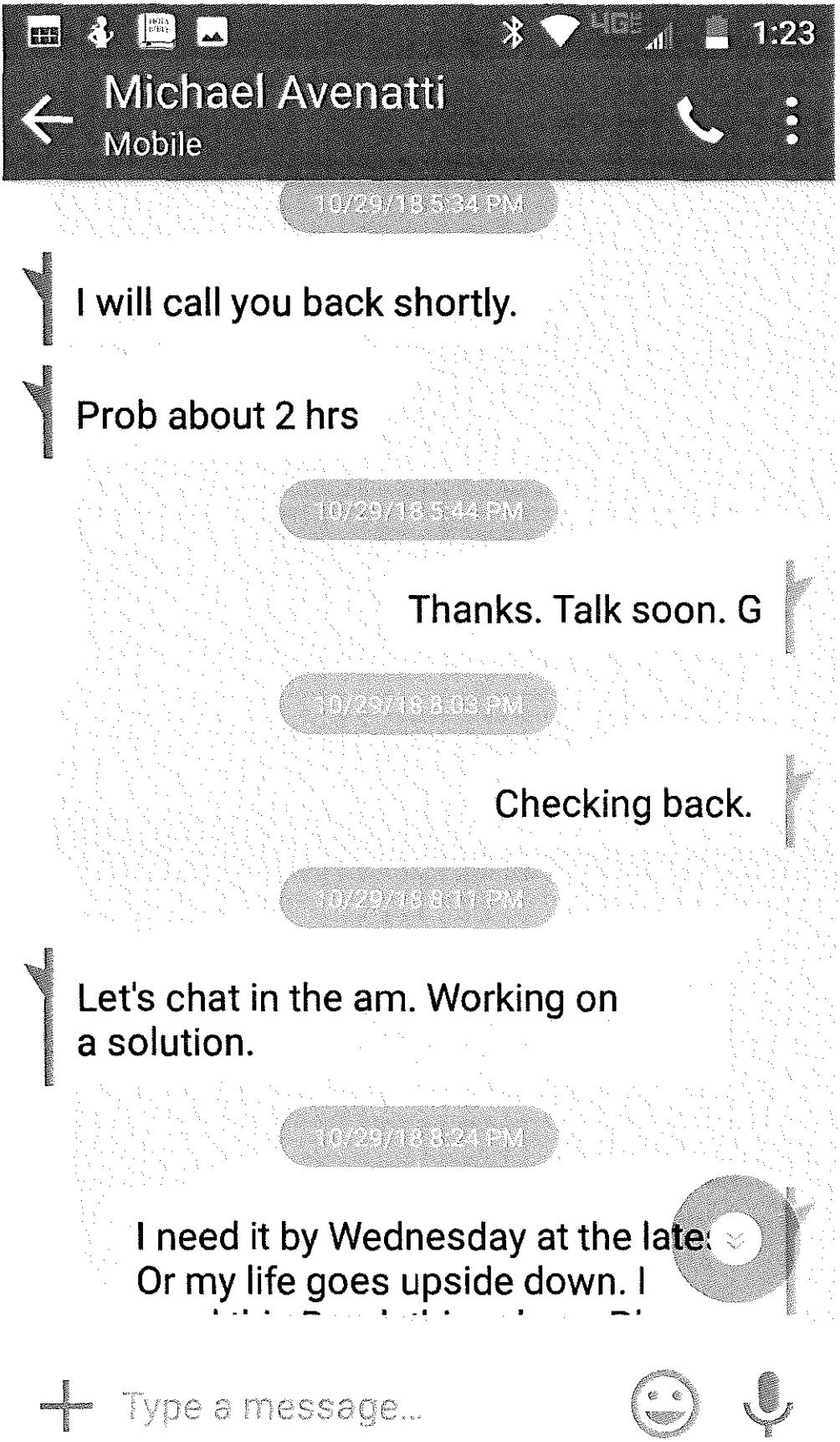

1:23
Michael Avenatti
Mobile
10/29/18 5:34 PM
I will call you back shortly.
Prob about 2 hrs
10/29/18 5:44 PM
Thanks. Talk soon. G
10/29/18 8:03 PM
Checking back.
10/29/18 9:11 PM
Let's chat in the am. Working on a solution.
10/29/18 8:24 PM
I need it by Wednesday at the late
Or my life goes upside down. I
Type a message...

EXHIBIT 30

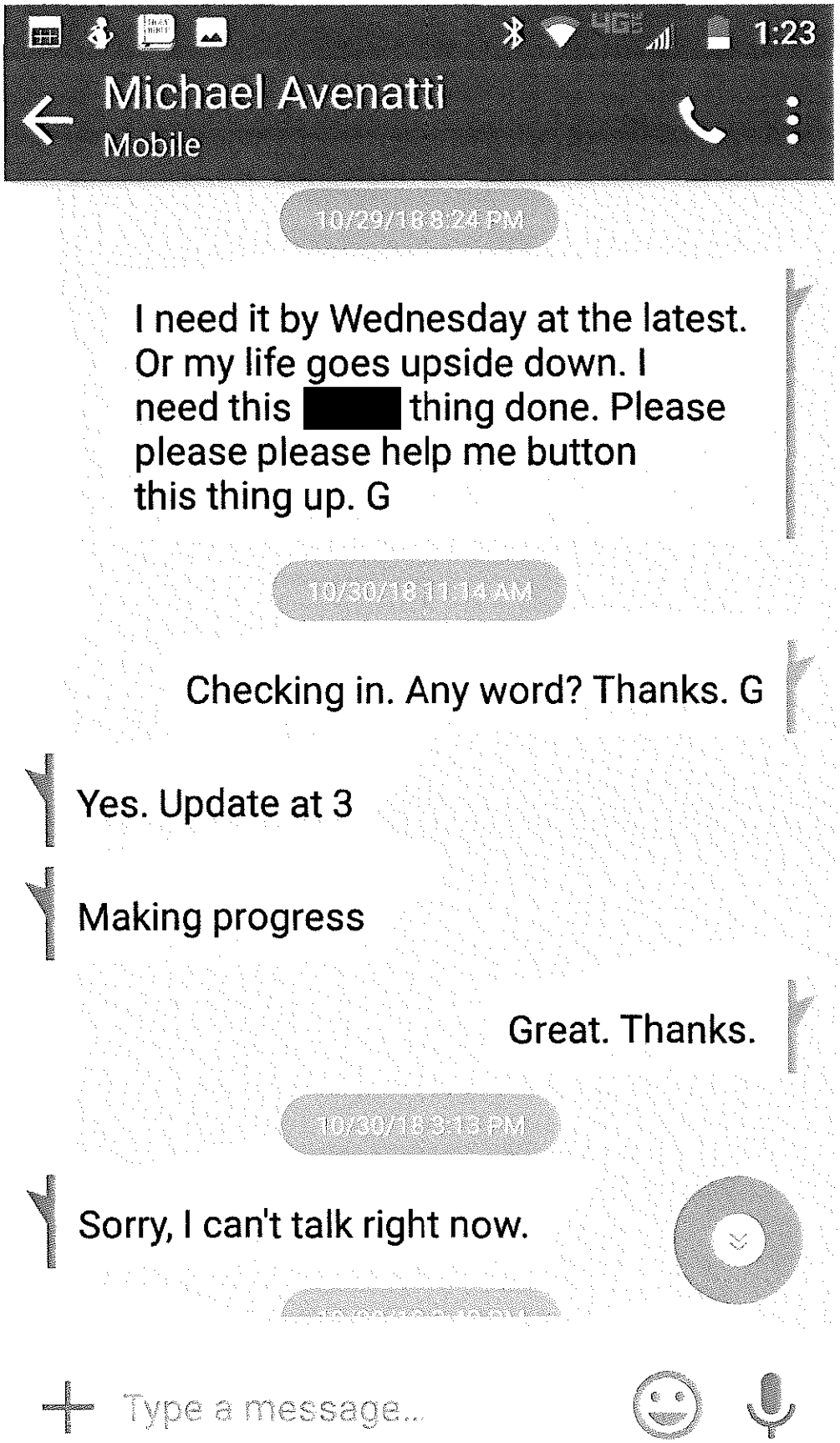

1:23
Michael Avenatti
Mobile
10/29/18 8:24 PM
I need it by Wednesday at the latest. Or my life goes upside down. I need this [redacted] thing done. Please please please help me button this thing up. G
10/30/18 11:14 AM
Checking in. Any word? Thanks. G
Yes. Update at 3
Making progress
Great. Thanks.
10/30/18 3:13 PM
Sorry, I can't talk right now.
Type a message...

EXHIBIT 31

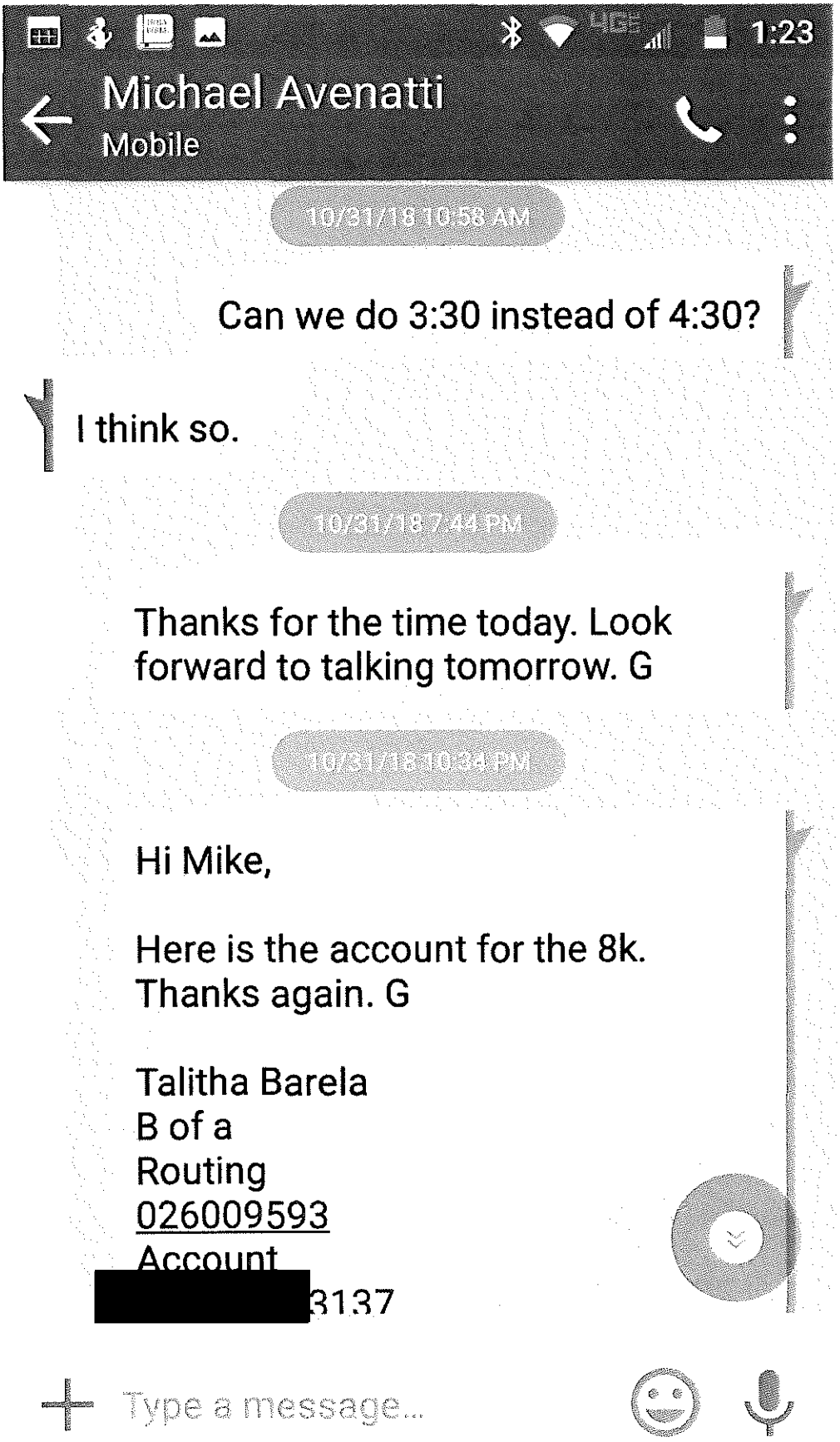

1:23
Michael Avenatti
Mobile
10/31/18 10:58 AM
Can we do 3:30 instead of 4:30?
I think so.
10/31/18 7:44 PM
Thanks for the time today. Look forward to talking tomorrow. G
10/31/18 10:34 PM
Hi Mike,
Here is the account for the 8k. Thanks again. G
Talitha Barela
B of a
Routing
026009593
Account
[redacted]3137
Type a message...

EXHIBIT 32

LARSON · O'BRIEN LLP

Steven E. Bledsoe
Direct: 213.436.4866
Email: sbledsoe@larsonobrienlaw.com

VIA EMAIL

November 17, 2018

Michael Avenatti, Esq.
Michael Avenatti & Associates, APC
Eagan Avenatti, LLP

Re: Confidential Settlement Agreement - Barela v. [redacted] USA, LLC

Dear Mr. Avenatti:

Our firm has been engaged by Gregory Barela in connection with his efforts to collect the proceeds due him pursuant to the terms of the Confidential Settlement Agreement executed by Mr. Barela and [redacted] [redacted] LLC on December 28, 2017 ("Settlement Agreement").

We understand that Mr. Barela has been advised by you that [redacted] [redacted] did not make the initial $1.6 million payment due under the terms of the Settlement Agreement. We request that that you provide written confirmation of [redacted] [redacted]s failure to make such payment. We further ask that you promptly provide us with a true and correct copy of the Settlement Agreement and any fee agreement that you have with Mr. Barela.

Finally, in the event [redacted] [redacted] made the initial $1.6 million payment provided for by the Settlement Agreement, we ask that you provide an immediate accounting concerning such funds.

Very truly yours.

LARSON O'BRIEN LLP

Steven E. Bledsoe

Approved:

Gregory Barela

Date: November 17, 2018

EXHIBIT 33

gregb@quixsupply.com

From: Michael J. Avenatti <mavenatti@eaganavenatti.com>
Sent: Saturday, November 17, 2018 10:26 PM
To: gregb@quixsupply.com
Subject: Contact

Greg: I just tried you on your cell. Please call me when you receive this. Thanks, Michael

Michael J. Avenatti, Esq.

EXHIBIT 34

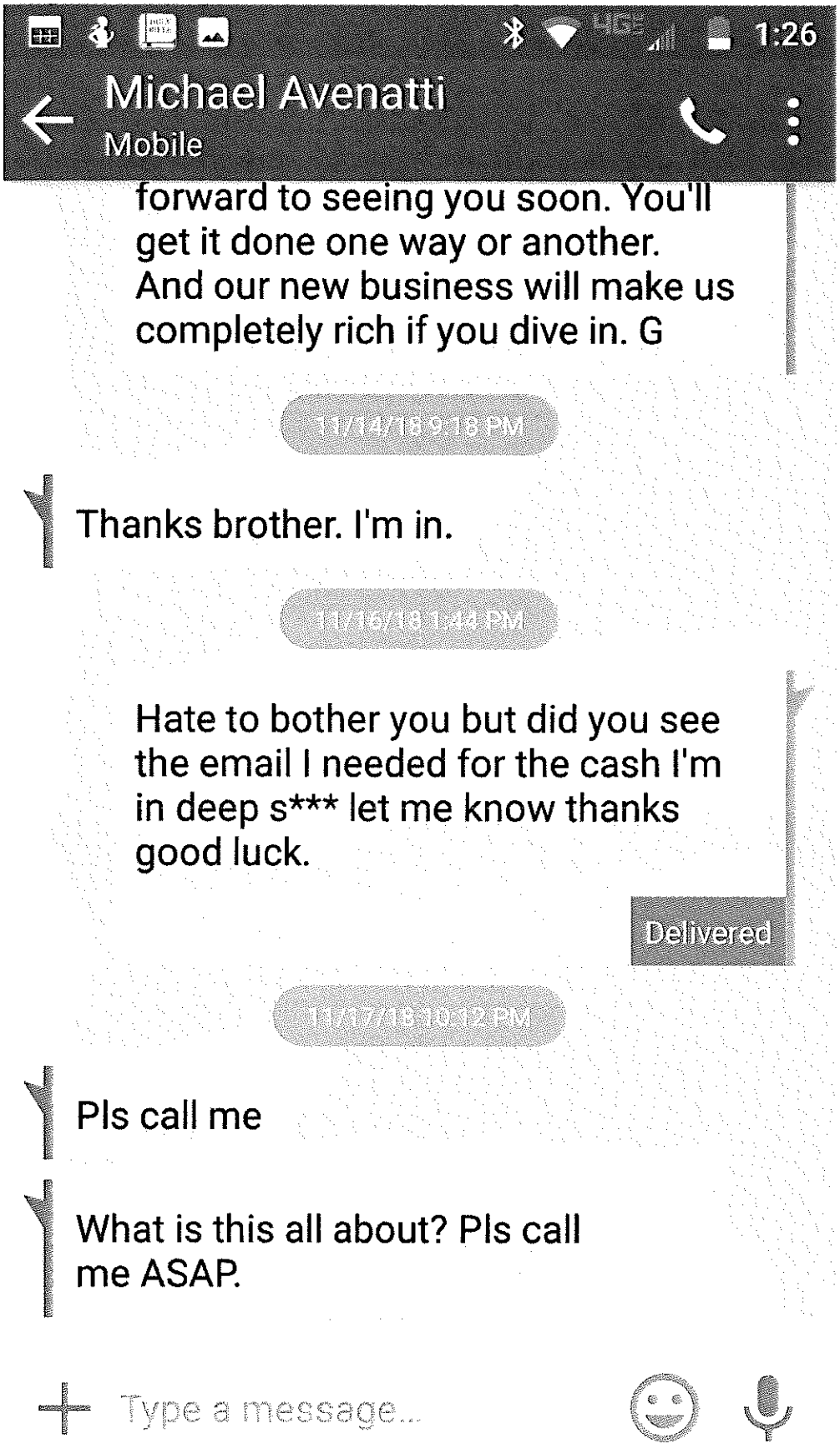

1:26
Michael Avenatti
Mobile
forward to seeing you soon. You'll get it done one way or another. And our new business will make us completely rich if you dive in. G
11/14/18 9:18 PM
Thanks brother. I'm in.
11/16/18 1:44 PM
Hate to bother you but did you see the email I needed for the cash I'm in deep s*** let me know thanks good luck.
Delivered
11/17/18 10:12 PM
Pls call me
What is this all about? Pls call me ASAP.
Type a message...

EXHIBIT 35

VIA EMAIL

From: Mr. Gregory Barela
2801 Alton Parkway, #402
Irvine, CA 92606

To: Michael Avenatti, Esq.
Michael Avenatti & Associates, APC
Eagan Avenatti, LLP

Re: Request for Transfer of Files and Client Funds

I am directing you to transfer all paper and electronic files on all matters to Steven E. Bledsoe and Stephen G. Larson at Larson O'Brien LLP, 555 South Flower Street, Suite 4400, Los Angeles, CA 90071. Accordingly, I request that you transfer all existing client files which you have maintained with respect to your representation of me.

In addition, I request that you immediately transfer the balance of any funds paid by [redacted] LLC pursuant to the Confidential Settlement Agreement executed on December 28, 2017 which are in the client trust accounts (or held elsewhere) of any of the above-referenced firms to Larson O'Brien LLP.

Gregory Barela

November 19, 2018

EXHIBIT 36

CONFIDENTIAL SETTLEMENT AGREEMENT

This Confidential Settlement Agreement ("Agreement") is entered into as of December 20, 2017, by and between Greg Barela, an individual who resides at 2801 Alton Parkway, Apt. 402, Irvine, California 92606 ("Barela"), and [redacted] d/b/a [redacted] a Colorado limited liability company with its principal place of business at [redacted]. Barela and [redacted] are collectively referred to as the "Parties."

Recitals

Barela and [redacted] are parties in an arbitration pending before Magistrate Judge Boyd N. Boland (Ret.) styled *Greg Barela v.* [redacted] JAG Arbitration No. 2015-1031A (the "Arbitration").

In the Arbitration, Barela asserted claims for correction of inventorship of U.S. Patent No. 8,662,787; a declaration that Barela is a co-owner with [redacted] of U.S. Patent No. 8,662,787; trade secret misappropriation; and unjust enrichment. [redacted] disputed Barela's claims.

On December 20, 2017, Barela and [redacted] agreed to a final compromise and settlement of the Arbitration and all disputes between them. Specifically, the Parties entered into a binding and enforceable agreement setting forth the terms and conditions of their final compromise and settlement, and further agreed to enter into a formal written agreement by December 29, 2017.

This Agreement formally sets forth the terms and conditions of the Parties' agreed-to final compromise and settlement of the Arbitration and all disputes between them.

Definitions

For purposes of this Agreement, the following terms have the following meanings:

1. A Party's "Affiliate" means an entity or individual that Controls, is Controlled by, is Controlling, or is under common Control with respect to the Party.

2. "Asserted Trade Secret" means: All trade secrets that were or could have been asserted by Barela in the Arbitration, including but not limited to the Paver Invention.

3. "[redacted] Patent Rights" means: (a) U.S. Patents Nos. 8,662,787; 8,827,590; 8,967,905; D645,169; 8,236,392; 8,353,640; D637,318; and 7,244,477; and

(b) all provisional applications, parent applications, continuations, continuations-in-part, divisionals, extensions, renewals, substitutions, reissues, reexaminations, *inter partes* reviews and foreign counterparts of any of the patents identified in (a).

4. "Control" (including, with correlative meanings, "Controls," "Controlled by" and "Controlling") means the power to direct or to cause the direction of the management and policies of an entity or an individual, directly or indirectly, whether through ownership of voting securities, by contract, or otherwise. With respect to a corporation, limited liability company, partnership or other entity, control includes direct or indirect ownership of at least fifty-one percent (51%) of the voting stock, limited liability company interest, partnership interest or other voting interest (or equivalent interest) in such corporation, limited liability company, partnership or other entity.

5. "Released Products" means: All products involving any of the [redacted] Patent Rights created, designed, made, used, offered for sale, distributed, sold, or imported by, for, or under license from [redacted] or any predecessor, Successor or Affiliate of [redacted] Released Products include, but are not limited to, Underlayment products sold under the name PaverBase®.

6. "Successor" means a Third Party that: (a) acquires substantially all the assets of either Party; or (b) acquires all or a portion of [redacted] business relating to the [redacted] Patent Rights and/or the Released Products; or (c) results from a reconstruction, amalgamation, merger, consolidation or reorganization of or with [redacted]

7. "Third Party" means any entity or individual other than Barela or [redacted]

8. "Underlayments" means underlayments for use with pavers, patio stones and other paving elements for pedestrian and/or vehicle traffic.

Warranties and Representations

9. Barela, on behalf of himself and his predecessors and Affiliates, warrants and represents that he has the authority to enter into and be bound by this Agreement.

10. Barela, on behalf of himself and his predecessors and Affiliates, warrants and represents that he is unaware of any claim by a Third Party against [redacted] related to the Asserted Trade Secret, the [redacted] Patent Rights or the Released Products.

11. [redacted] on behalf of itself and its predecessors and Affiliates, warrants and represents that it has the authority to enter into and be bound by this Agreement.

Payments to Barela

12. [redacted] will pay the total sum of One Million Nine Hundred Thousand U.S. Dollars (USD 1,900,000) to Barela as follows:

a. The sum of One Million Six Hundred Thousand U.S. Dollars (USD 1,600,000) will be paid by [redacted] to Barela on January 10, 2018; and

b. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on January 10, 2019; and

c. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on January 10, 2020; and

d. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on January 10, 2021.

13. The payments specified in paragraph 12 are subject to Barela's (including his predecessors, Successors, assigns, heirs and Affiliates) ongoing compliance with the Agreement.

14. Each of the payments specified in paragraph 12 shall be made by wire-transfer to a trust account specified in an email from Barela's counsel (Michael Avenatti) to [redacted] counsel (David Sheikh) on or before January 3, 2018.

Waiver and Releases

15. Barela, on behalf of himself and his predecessors, Successors, assigns, heirs and Affiliates, hereby waives, releases and forever discharges all claims to any rights or interest in or to the [redacted] Patent Rights and the Released Products including, without limitation, the ability or right to challenge, directly or by assisting a Third Party, to the inventorship, validity or enforceability of any of the [redacted] Patent Rights, including any lawsuit, protest, opposition, interference, post-grant review, reexamination, *inter partes* review or the like in any court or governmental agency anywhere in the world.

16. Barela, on behalf of himself and his predecessors, Successors, assigns, heirs and Affiliates, hereby releases [redacted] including its predecessors, Successors, assigns, heirs and Affiliates, from any and all claims, liabilities, demands and causes of action, whether or not now known, suspected or claimed, which Barela ever had,

now has or claims to have, regarding the [redacted] Patent Rights and/or the Released Products, including any such claims that were or could have been asserted in a court, in the Arbitration, or in any other proceeding.

17. [redacted] on behalf of itself and its predecessors, Successors, assigns, heirs and Affiliates, hereby releases Barela, including his predecessors, Successors, assigns, heirs and Affiliates, from any and all claims, liabilities, demands and causes of action, whether or not now known, suspected or claimed, which [redacted] ever had, now has or claims to have, regarding the [redacted] Patent Rights and/or the Released Products, including any such claims that were or could have been asserted in a court, in the Arbitration, or in any other proceeding.

Confidentiality

18. The Parties hereby agree that this Agreement and its terms and conditions are and will remain confidential. The Parties further agree that they will not disclose, provide, or produce this Agreement or its terms and conditions publicly or to any Third Party. If a Party is asked about the outcome of the Arbitration, such Party cannot disclose the existence of this Agreement or the Agreement's terms and conditions. The Parties shall only disclose that the dispute between Barela and [redacted] has been resolved. Notwithstanding the foregoing:

a. Either Party may disclose this Agreement to its attorneys and accountants provided that such attorneys and accountants are bound by confidentiality obligations commensurate with this provision.

b. Either Party may disclose this Agreement and its terms and conditions as may be required by law, regulation, subpoena, or order of an arbitrator, a court, or other adjudicator of competent jurisdiction. If this disclosure is made during the course of litigation, the disclosure must be limited to the litigating parties' outside counsel and the arbitrator, court, or other adjudicator of competent jurisdiction.

c. Either Party may disclose this Agreement and its terms and conditions to the extent necessary to enforce this Agreement before a court or other adjudicator of competent jurisdiction.

d. [redacted] may privately state and confirm the fact that all disputes between [redacted] and Barela have been resolved in the context of confidential discussions with its business partners and suppliers.

e. [redacted] may disclose this Agreement and its terms and conditions to its contract manufacturer/supplier, JSP, its professional advisors, its board of directors, released Third Parties, and existing and potential investors, acquirers and purchasers, provided that such entities or individuals are bound by confidentiality obligations commensurate with this provision.

The Parties acknowledge and agree that this confidentiality provision is a material term of this Agreement and that a failure to comply with it constitutes a material breach of this Agreement. The Parties agree that it would be impossible, impractical or extremely difficult to fix the actual damages suffered by reason of a breach of this provision, and accordingly hereby agree that One Hundred Thousand U.S. Dollars (USD 100,000) shall be presumed to be the amount of damages sustained by reason of each such breach, without prejudice to the right of the non-breaching Party to also seek injunctive or other equitable relief, if appropriate.

Non-Disparagement

19. Each Party (including each Party's respective officers, directors, employees, predecessors, Successors, assigns, heirs and Affiliates) agrees not to make any false, negative, critical or disparaging statements, implied or express, written or oral, concerning the other Party (including the other Party's officers, directors, employees, predecessors, Successors, assigns, Affiliates and licensees) or the products, services or business operations of the other Party (including the other Party's predecessors, Successors, assigns, heirs, Affiliates and licensees). Each Party (including each Party's respective officers, directors, employees, predecessors, Successors, assigns, heirs and Affiliates) further agrees to do nothing that would damage the business reputation or good will of the other Party (including the other Party's officers, directors, employees, predecessors, Successors, assigns, heirs, Affiliates and licensees); provided, however, that nothing in this Agreement shall prohibit either Party's disclosure of information that is required to be disclosed in compliance with applicable laws or regulations or by order of an arbitrator, a court, or other adjudicator of competent jurisdiction. For the avoidance of doubt, this provision prohibits Barela (including his predecessors, Successors, assigns, heirs and Affiliates) from asserting, stating, or suggesting that Barela is an inventor or joint inventor of any of the [redacted] Patent Rights, that the [redacted] Patent Rights or the Released Products use or incorporate any trade secrets or other intellectual property of Barela, that Barela contributed in any way to the [redacted] Patent Rights or the Released Products, or that Barela has any rights or interest in any of the [redacted] Patent Rights or the Released Products. The Parties acknowledge and agree that this

non-disparagement provision is a material term of this Agreement and that a failure to comply with it constitutes a material breach of this Agreement. The Parties agree that it would be impossible, impractical or extremely difficult to fix the actual damages suffered by reason of a breach of this provision, and accordingly hereby agree that One Hundred Thousand U.S. Dollars (USD 100,000) shall be presumed to be the amount of damages sustained by reason of each such breach, without prejudice to the right of the non-breaching Party to also seek injunctive or other equitable relief, if appropriate.

Resolution of the Arbitration

20. Upon execution of this Agreement by both Parties, the Parties will voluntarily dismiss, with prejudice, all claims and defenses made against each other in the Arbitration. Each Party will pay its own fees, costs, and expenses, including attorneys' fees. Each Party will have the right to apply to the Judicial Arbiter Group, Inc. for a refund of its share of the arbitration fees that were deposited to reserve the Arbitration hearing dates.

Notices

21. Any notices required by this Agreement shall be made by email and express mail delivery or courier, signature required, postage pre-paid as follows:

For [redacted] [redacted] With a copy to: David J. Sheikh Lee Sheikh Megley & Haan 111 West Jackson Boulevard, Suite 2230 Chicago, Illinois 60604 Email: dsheikh@leesheikh.com	For Barela: Greg Barela c/o Michael Avenatti, Esq. 520 Newport Center Drive Suite 1400 Newport Beach, CA 92660 Email: mavenatti@eaganavenatti.com

Miscellaneous

22. Nothing in this Agreement shall be deemed to create or constitute a partnership, agency, employer-employee or joint venture relationship between Barela and [redacted]

23. The Parties acknowledge that they were represented by their respective counsel in connection with their settlement and this Agreement. This Agreement shall be interpreted according to its fair construction and shall not be construed against either Party.

24. This Agreement represents the entire agreement between Barela and [redacted] with respect to the subject matter of this Agreement, and supersedes all prior agreements, proposals, or understandings, whether written or oral, between Barela and [redacted] This Agreement may not be modified, changed, amended, supplemented or rescinded except pursuant to a written instrument duly executed by Barela and [redacted]

25. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned or transferred by any Party without the prior written consent of the other Party.

26. This Agreement is governed by, and construed in accordance with, the laws of the State of Colorado.

27. If any provision or portion of a provision of this Agreement is held by an arbitrator, a court, or other adjudicator of competent jurisdiction to be invalid under any applicable statute or rule of law, such arbitrator, court or other adjudicator is authorized to modify such provision to the minimum extent necessary to make it valid, and the remaining provisions or portions of provisions of this Agreement shall in no way be affected or impaired thereby.

28. This Agreement may be executed by Barela and [redacted] in separate counterparts and exchanged electronically, with the same effect as if Barela and [redacted] had signed the same instrument.

Barela and [redacted] hereby acknowledge their agreement and consent to the terms and conditions set forth above through their respective signatures by a duly authorized representative of each party.

GREG BARELA _____ Date: _____	[redacted] d/b/a [redacted] By: _____ Its: President Date: 28 Dec 2017

GREG BARELA	[redacted]
	By: [redacted]
	Its:
Date: 12-28-17	Date:

EXHIBIT 37

ADDENDUM TO CONFIDENTIAL SETTLEMENT AGREEMENT

This Addendum to Confidential Settlement Agreement ("Addendum") is entered into as of January 3, 2019, by and between Gregory Barela ("Barela"), and [redacted] d/b/a [redacted]. Barela and [redacted] are collectively referred to as the "Parties."

Recitals

Barela and [redacted] entered into a Confidential Settlement Agreement ("Agreement") as of December 20, 2017 that was signed by the Parties on December 28, 2017.

Paragraph 12 of the Agreement provided that [redacted] would make the following four settlement payments to Barela: (1) $1.6 million by January 10, 2018; (2) $100,000 by January 10, 2019; (3) $100,000 by January 10, 2020; and (4) $100,000 by January 10, 2021.

Paragraph 13 of the Agreement provided that "the payments specified in paragraph 12 shall be made by wire-transfer to a trust account specified in an email from Barela's counsel (Michael Avenatti) to [redacted] counsel (David Sheikh) on or before January 3, 2018."

On January 2, 2018, Avenatti sent an email to Sheikh that specified an account and provided wire-transfer instructions.

On January 5, 2018 [redacted] made the initial $1.6 million settlement payment by wire transfer to the account specified by Avenatti and [redacted] has provided Barela with a wire transfer confirmation showing that the payment was made by [redacted] and received into the account designated by Avenatti. Accordingly, [redacted] has fully complied with its obligation to make the initial $1.6 million payment by January 10, 2018.

Barela has represented to [redacted] that paragraph 12 of the partial copy of the Agreement that Avenatti provided to Barela on December 28, 2017, and the complete copy of the Agreement that Avenatti's office provided to Barela on or about June 29, 2018, contain payments dates of March 10, 2018, March 10, 2019, March 10, 2020, March 10, 2021, respectively, for [redacted] settlement payments to Barela. Avenatti told Barela that the settlement payments were payable in March of each year (not January).

At the request of Barela, on November 21, 2018, [redacted] provided Barela with a true and correct copy of the fully executed Agreement which states that the initial payment of $1.6 million was due by January 10, 2018; a payment of $100,000 is due by January 10, 2019; a payment of $100,000 is due by January 10, 2020; and a payment of $100,000 is due by January 10, 2021.

Barela has represented to [redacted] that Avenatti has repeatedly represented to him that [redacted] did not make the initial $1.6 million payment due under the Agreement and that Avenatti has been making efforts to collect the $1.6 million that [redacted] had allegedly failed to pay on the purported March 10, 2018 due date specified in the copies of the Agreement Avenatti provided to Barela.

Barela has retained new counsel, Steven E. Bledsoe and Stephen G. Larson of Larson O'Brien LLP, to represent him with respect to his efforts to collect the amounts due to him under the Agreement.

Barela has represented to [redacted] that Avenatti has not responded to Larson O'Brien's November 17 and December 5, 2018 letters to Avenatti requesting that he: (1) confirm, in writing, his representations to Barela that [redacted] had failed to make the initial $1.6 million payment due under the terms of the Agreement; (2) promptly provide a true and correct copy of the Agreement; and (3) provide an immediate accounting in the event [redacted] had made the initial $1.6 million payment provided for in the Agreement.

Barela has requested that [redacted] make all further payments due to him under the Agreement via wire transfer to the trust account of Larson O'Brien LLP and, based on Barela's above-referenced representations, [redacted] has agreed to do so.

Agreement

1. [redacted] will pay all future amounts due under the Agreement to the trust account of Larson O'Brien LLP, as follows:

Wells Fargo Bank
433 N. Camden Drive
Beverly Hills, CA 90210
ABA Routing No: 121000248
Account No.: [redacted]2776
Account Name: Larson O'Brien LLP IOLTA Trust Account

2. Any future notices to Barela required by the Agreement shall be made by email and express mail delivery or courier, signature required, postage pre-paid to: Gregory Barela, c/o Steven E. Bledsoe, Esq., Larson O'Brien LLP, 555 S. Flower Street, Suite 4400, Los Angeles, CA 90071.

3. This Addendum may be executed by Barela and [redacted] in separate counterparts and exchanged electronically, with the same effect as if Barela and [redacted] had signed the same instrument.

Barela and [redacted] hereby acknowledge their agreement and consent to the terms and conditions set forth above through their respective signatures:

GREGORY BARELA

Date: January 3, 2019

[redacted]

By: Mark Buckley
Mark Buckley
CFO and VP of Administration

Date: January 3, 2019

DECLARATION OF STEVEN E. BLEDSOE

STATE BAR OF CALIFORNIA
OFFICE OF CHIEF TRIAL COUNSEL
MELANIE J. LAWRENCE, No. 230102
INTERIM CHIEF TRIAL COUNSEL
ANTHONY J. GARCIA, No. 171419
ASSISTANT CHIEF TRIAL COUNSEL
ANAND KUMAR, No. 261592
SUPERVISING ATTORNEY
ELI D. MORGENSTERN, No. 190560
SENIOR TRIAL COUNSEL
845 South Figueroa Street
Los Angeles, California 90017-2515
Telephone: (213) 765-1334

STATE BAR COURT

HEARING DEPARTMENT - LOS ANGELES

In the Matter of: MICHAEL JOHN AVENATTI, No. 206929, A Member of the State Bar	Case No. DECLARATION OF STEVEN E. BLEDSOE

I, Steven E. Bledsoe, declare:

1. All statements made herein are true and correct and are based on my personal knowledge unless indicated as based on information or belief, and as to those statements I am informed and believe them to be true. If necessary, I could and would competently testify to the statements made herein.

2. I have been a member of the State Bar of California since March 31, 1992. I am a partner at the law firm of Larson O'Brien LLP (the "firm"). My practice focuses on complex civil litigation.

3. In November 2018, Mr. Gregory Barela employed our firm to represent him in his efforts to collect the proceeds due to him pursuant to the terms of a settlement agreement

executed by Mr. Barela and the Settling Party on December 28, 2017.[1] I am informed that Mr. Michael Avenatti, the respondent in these proceedings, negotiated the terms of the settlement agreement with the Settling Party on behalf of Mr. Barela.

4. At the time that he employed the firm, Mr. Barela presented me with a copy of the fully executed settlement agreement that respondent had provided to him. The settlement agreement required the Settling Party to make an initial payment of $1,600,000 by March 10, 2018, and three additional payments of $100,000 by March 10 of 2019, 2020, 2021, respectively, for a total of $1,900,000.

5. On November 15, 2018, I sent an email to David Sheikh, the Settling Party's counsel. In the email, I explained that Mr. Barela had employed the firm in connection with his efforts to collect on the proceeds from the December 28, 2017 settlement agreement with the Settling Party, and I asked Mr. Sheikh to: (i) confirm that the Settling Party made the $1,600,000 payment that was due on March 10, 2018; and (ii) provide me with a copy of the wire transfer confirmation. In the email, I provided my cell phone number and invited Mr. Sheikh to call me. A true and correct copy of my November 15, 2018 email is attached to this Declaration as Exhibit 1.

6. On November 16, 2018, Mr. Sheikh and I had a telephone conversation. During the telephone conversation, I explained to Mr. Sheikh that respondent had advised Mr. Barela that the Settling Party did not make the initial $1,600,000 payment due under the terms of the settlement agreement. I also stated that the copy of the settlement agreement provided to Mr. Barela by respondent provided for the initial payment to be made by the Settling Party on March 10, 2018. Mr. Sheikh told me that the settlement agreement actually provided for the initial $1,600,000 payment to be made by January 2018, and that the Settling Party had made the payment on time. Given these discrepancies, I emailed Mr. Sheikh a copy of the settlement agreement that respondent had presented to Mr. Barela.

[1] The corporation is not identified by name due to the confidentiality of the settlement agreement, discussed below.

7. On November 17, 2018, I sent Mr. Sheikh a letter via email as a follow-up to my email message to him on November 15, 2018, and our telephone conversation on November 16, 2018. In my November 17, 2018 letter, I partially memorialized the November 16, 2018 telephone conversation, and requested that Mr. Sheikh provide me with: (i) a true and correct copy of the settlement agreement executed by the Settling Party and Mr. Barela; (ii) a copy of the wire transfer confirmation for the $1,600,000 settlement payment made by the Settling Party in January 2018; and (iii) any written confirmation with respondent's law firm concerning or confirming the settlement payment. Finally, I requested that the Settling Party make all future payments due to Mr. Barela under the settlement agreement by wire transfer to our firm's client trust account. On November 17, 2018, Mr. Barela and I signed the letter. A true and correct copy of my November 17, 2018 letter to Mr. Sheikh is attached to this Declaration as Exhibit 2.

8. On November 17, 2018, I also sent respondent a letter via email. In the letter, I explained that Mr. Barela had employed the firm in connection with his efforts to collect on the proceeds from the December 28, 2017 settlement agreement with the Settling Party, and I asked respondent to: (i) confirm representations that respondent made to Mr. Barela that the Settling Party had failed to make the initial $1,600,000 payment due under the settlement agreement; (ii) promptly provide a true and correct copy of the settlement agreement and any fee agreement between respondent and Mr. Barela; and (iii) provide an immediate accounting in the event that the Settling Party had made the initial $1,600,000 payment provided in the settlement agreement. On November 17, 2018, Mr. Barela and I signed the letter. Respondent did not respond to the letter and has not provided the requested accounting. A true and correct copy of the November 17, 2018 letter to respondent is attached to this Declaration as Exhibit 3.

9. On November 19, 2018, I sent an email to respondent attaching a letter from Mr. Barela requesting that respondent transfer: (i) all paper and electronic client files with respect to his representation of Mr. Barela to our firm; and (ii) the balance of any funds paid by the Settling Party to our firm's client trust account. In a separate email, I provided respondent with the

firm's wire transfer information. Respondent did not respond to my email attaching Mr. Barela's letter or my separate email.

10. On November 20, 2018, Mr. Sheikh sent me a letter via email. In the letter, Mr. Sheikh reiterated what he told me when we spoke by telephone on November 16, 2018 and included additional details concerning specific dates; namely that: (i) the settlement agreement executed by Mr. Barela and the Settling Party required the Settling Party to make the initial payment by January 10, 2018, and the Settling Party did so by wire transfer on January 5, 2018; (ii) the purported settlement agreement that I emailed to him during our November 16, 2018 telephone conversation is not a true and correct copy of the settlement agreement; and (iii) he had never seen the document before he received it from me on November 16, 2018. In the letter, Mr. Sheikh also requested that I prepare a proposed amendment to the settlement agreement that reflected my request for the future payments owed pursuant to the settlement agreement be made to our firm's client trust account instead of the trust account designated by respondent. A true and correct copy of Mr. Sheikh's November 20, 2018 letter is attached to this Declaration as Exhibit 3.

11. On November 21, 2018, Mr. Sheikh sent me via email a letter with an attached copy of the settlement agreement. A true and correct copy of Mr. Sheikh's November 21, 2018 letter, as well as a true and correct, though redacted, copy of the settlement agreement that was attached to it are attached to this Declaration as Exhibit 4.

12. On November 27, 2018, Mr. Sheikh provided me with a copy of the confirmation of the January 5, 2018 wire transfer of the $1,600,000 settlement payment. A true and correct copy of my November 27, 2018 email exchange with Mr. Sheikh, as well as a true and correct, though redacted, copy of the confirmation of the January 5, 2018 wire transfer are cumulatively attached to this Declaration as Exhibit 5.

13. On December 3, 2018, I sent respondent a letter via email reminding him that on November 17, 2018, I had sent him a letter asking him to: (i) confirm his representations to Mr. Barela that the Settling Party had failed to make the initial $1,600,000 payment due under the

settlement agreement; (ii) promptly provide a true and correct copy of the settlement agreement and any fee agreement between respondent and Mr. Barela; and (iii) provide an immediate accounting in the event that the Settling Party made the initial $1,600,000 payment provided in the settlement agreement. I further stated that he had neither responded to my November 17, 2018 letter nor Mr. Barela's letter requesting that respondent transfer Mr. Barela's files and client funds to the firm. Finally, I invited respondent to resolve the matter without court intervention. Respondent did not respond to the letter. A true and correct copy of my December 3, 2018 letter is attached to this Declaration as Exhibit 6.

14. Pursuant to Mr. Sheikh's request, I prepared an addendum to the settlement agreement. On January 3, 2019, Mr. Barela and the Settling Party signed the addendum which provided that the Settling Party would pay all future payments due under the settlement agreement to our firm's client trust account. A true and correct, though redacted, copy of the addendum to the settlement agreement is attached to this Declaration as Exhibit 7.

15. In January 2019, I submitted a State Bar complaint on behalf of Mr. Barela against respondent.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this Declaration is executed this 24th day of May, 2019, at Los Angeles, California.

Steven E. Bledsoe
Declarant

EXHIBIT 1

From: Steven E. Bledsoe
To: dsheikh@leesheikh.com
Cc: Stephen G. Larson
Subject: Payment of Settlement Proceeds: Barela v. [redacted]
Date: Thursday, November 15, 2018 8:00:55 PM

Mr. Sheikh,

Our firm has been engaged to represent Greg Barela in connection with his efforts to collect the proceeds from his December 28, 2017 Confidential Settlement Agreement with [redacted]

As you know, pursuant to the terms of the settlement agreement, [redacted] agreed to pay Mr. Barela the initial $1.6 million settlement payment on March 10, 2018. Such payment was to be made via wire transfer to the client trust account of Mr. Barela's then counsel, Michael Avenatti. We ask that you confirm that the $1.6 million payment was made by [redacted] USA. We also ask that you provide us with a copy of the wire transfer confirmation.

We would greatly appreciate your prompt attention to this matter. I coincidentally happen to be in Chicago through noon tomorrow. If you would like to discuss this matter in person, please let me know and I will come by your office before I head to the airport. I can also be reached on my cell phone at 818-921-0306. Thank you.

Best regards,

Steven E. Bledsoe
Partner
.....
LARSON·O'BRIEN LLP
555 South Flower Street, Suite 4400
Los Angeles, CA 90071
213.436.4866 Direct
213.436.4888 Office
213.623.2000 Fax
sbledsoe@larsonobrienlaw.com
.....

EXHIBIT 2

LARSON · O'BRIEN LLP

Steven E. Bledsoe
Direct: 213.436.4866
Email: sbledsoe@larsonobrienlaw.com

VIA EMAIL

November 17, 2018

David J. Sheikh, Esq.
Lee Sheikh Megley& Haan
111 West Jackson Blvd.
Chicago, IL 60604

Re: Confidential Settlement Agreement - Barela v. [redacted]

Dear David:

This letter follows up on my email message to you on November 15, 2018 and our telephone conversation on November 16, 2018 concerning the above-referenced matter. Our firm has been engaged by Gregory Barela in connection with his efforts to collect the proceeds due him pursuant to the terms of the Confidential Settlement Agreement executed by Mr. Barela and [redacted] on December 28, 2017 ("Settlement Agreement").

Mr. Barela has been advised by Michael Avenatti that [redacted] did not make the initial $1.6 million payment due under the terms of the Settlement Agreement. I note that paragraph 12.a. on page 3 of the copy of the Settlement Agreement provided to Mr. Barela by Mr. Avenatti provides for the initial settlement payment to be made by [redacted] on March 10, 2018. I understand from our telephone conversation that the Settlement Agreement actually provides for the initial $1.6 million payment to be made in January 2018, which is why [redacted] made the payment at that time.

Given these discrepancies, we ask that you promptly provide us with a true and correct copy of the Settlement Agreement executed by [redacted] and Mr. Barela on December 28, 2018. We further request that you provide us with a copy of the wire transfer confirmation for the $1.6 million settlement payment made by [redacted] in January 2018, as well as any written correspondence with Mr. Avenatti's firm concerning or confirming the settlement payment.

Finally, Mr. Barela requests that [redacted] make all future payments due him under the Settlement Agreement by wire transfer to our firm's client trust account. We will provide wire transfer information for our client trust account under separate cover.

We greatly appreciate your prompt attention to this matter.

Very truly yours,

LARSON O'BRIEN LLP

Steven E. Bledsoe

Approved and Confirmed:

Gregory Barela

Date: November 17, 2018

EXHIBIT 3

LARSON · O'BRIEN LLP

Steven E. Bledsoe
Direct: 213.436.4866
Email: sbledsoe@larsonobrienlaw.com

VIA EMAIL

November 17, 2018

Michael Avenatti, Esq.
Michael Avenatti & Associates, APC
Eagan Avenatti, LLP

Re: Confidential Settlement Agreement - Barela v. [redacted] LLC

Dear Mr. Avenatti:

Our firm has been engaged by Gregory Barela in connection with his efforts to collect the proceeds due him pursuant to the terms of the Confidential Settlement Agreement executed by Mr. Barela and [redacted] LLC on December 28, 2017 ("Settlement Agreement").

We understand that Mr. Barela has been advised by you that [redacted] did not make the initial $1.6 million payment due under the terms of the Settlement Agreement. We request that that you provide written confirmation of [redacted]'s failure to make such payment. We further ask that you promptly provide us with a true and correct copy of the Settlement Agreement and any fee agreement that you have with Mr. Barela.

Finally, in the event [redacted] made the initial $1.6 million payment provided for by the Settlement Agreement, we ask that you provide an immediate accounting concerning such funds.

Very truly yours.

LARSON O'BRIEN LLP

Steven E. Bledsoe

Approved:

Gregory Barela

Date: November 17, 2018

EXHIBIT 4

LEE SHEIKH MEGLEY & HAAN

111 West Jackson Boulevard, Suite 2230
Chicago, Illinois 60604

(312) 982-0070

www.leesheikh.com

David J. Sheikh
Direct Dial: (312) 982-0062

dsheikh@leesheikh.com

Confidential

November 20, 2018

Via Email: sbledsoe@larsonobrienlaw.com

Steven E. Bledsoe
Larson O'Brien LLP
555 South Flower Street
Suite 450
Los Angeles, California 90071

Re: Confidential Settlement Agreement – Barela v. [redacted]

Dear Steven:

This responds to your letter of November 17, 2018. I also received your follow-up voicemail message. I needed to discuss your letter with my client, which I have now done.

At the outset, I want to reemphasize and expand on what I told you when we spoke by telephone on November 16, 2018. [redacted] finally and completely resolved its dispute with Greg Barela under the terms of the December 20, 2017 Confidential Settlement Agreement ("Settlement Agreement"). The *Barela v.* [redacted] arbitration was dismissed, with prejudice, on December 29, 2017. Furthermore, [redacted] has fully complied with its obligations under the Settlement Agreement, including making the $1.6 million payment to the account designated by Michael Avenatti on behalf of Mr. Barela. The Settlement Agreement required [redacted] to make the payment by January 10, 2018, and [redacted] did so by wire transfer on January 5, 2018. Any assertion that [redacted] did not make the $1.6 million payment is demonstrably false. The document that you emailed to me during our November 16, 2018 call is not a true and correct copy of the Settlement Agreement. We had not seen that document before receiving it from you. [redacted] is not involved in Mr. Barela's dispute with Mr. Avenatti, and is displeased that it has had to invest resources to address this matter in response to your inquiries. Aside from its remaining obligations under the Settlement Agreement, [redacted] wants no further dealings with Mr. Barela, Mr. Avenatti, or anyone associated with them.

You have requested that [redacted] provide a true and correct copy of the Settlement Agreement and documentation confirming [redacted] payment to Mr. Barela. As a precondition of [redacted] providing this information, I need written confirmation that all communications and information exchanged between us regarding this matter will be treated in conformance with the confidentiality provision in the Settlement Agreement, which states as follows:

18. The Parties hereby agree that this Agreement and its terms and conditions are and will remain confidential. The Parties further agree that they will not disclose, provide, or produce this Agreement or its terms and conditions publicly or to any Third Party. If a Party is asked about the outcome of the Arbitration, such Party cannot disclose the existence of this Agreement or the Agreement's terms and conditions. The Parties shall only disclose that the dispute between Barela and [redacted] has been resolved. Notwithstanding the foregoing:

a. Either Party may disclose this Agreement to its attorneys and accountants provided that such attorneys and accountants are bound by confidentiality obligations commensurate with this provision.

b. Either Party may disclose this Agreement and its terms and conditions as may be required by law, regulation, subpoena, or order of an arbitrator, a court, or other adjudicator of competent jurisdiction. If this disclosure is made during the course of litigation, the disclosure must be limited to the litigating parties' outside counsel and the arbitrator, court, or other adjudicator of competent jurisdiction.

c. Either Party may disclose this Agreement and its terms and conditions to the extent necessary to enforce this Agreement before a court or other adjudicator of competent jurisdiction.

d. [redacted] may privately state and confirm the fact that all disputes between [redacted] and Barela have been resolved in the context of confidential discussions with its business partners and suppliers.

e. [redacted] may disclose this Agreement and its terms and conditions to its contract manufacturer/supplier, JSP, its professional advisors, its board of directors, released Third Parties, and existing and potential investors, acquirers and purchasers, provided that such entities or individuals are bound by confidentiality obligations commensurate with this provision.

The Parties acknowledge and agree that this confidentiality provision is a material term of this Agreement and that a failure to comply with it constitutes a material breach of this Agreement. The Parties agree that it would be impossible, impractical or extremely difficult to fix the actual damages suffered by reason of a breach of this provision, and accordingly hereby agree that One Hundred Thousand U.S. Dollars (USD 100,000) shall be presumed to be the amount of damages sustained by reason of each such breach, without prejudice to the right of the non-breaching Party to also seek injunctive or other equitable relief, if appropriate.

The Settlement Agreement requires three future payments by [redacted] to Mr. Barela. You have requested that [redacted] make these payments to your firm's client trust account. However, this will require a formal amendment to the Settlement Agreement. Paragraph 14 of the Settlement Agreement states that "[e]ach of the payments specified in paragraph 12 shall be made by wire-transfer to a trust account specified in an email from Barela's counsel (Michael Avenatti) to [redacted] counsel (David Sheikh) on or before January 3, 2018." On January 2, 2018, Mr. Avenatti provided the wire-transfer instructions, which are a material part of the agreement. [redacted] made the $1.6 million payment into

the account designated by Mr. Avenatti. Please prepare a proposed amendment to the Settlement Agreement that reflects your request for the future payments to be made to your firm's client trust account instead of the trust account designated by Mr. Avenatti. Notice of the amendment will need to be provided to Mr. Avenatti.

Please get back to me regarding the above.

Best regards,

David J. Sheikh

EXHIBIT 5

LEE SHEIKH MEGLEY & HAAN

111 West Jackson Boulevard, Suite 2230
Chicago, Illinois 60604

(312) 982-0070

www.leesheikh.com

David J. Sheikh
Direct Dial: (312) 982-0062

dsheikh@leesheikh.com

Confidential

November 21, 2018

Via Email: *sbledsoe@larsonobrienlaw.com*

Steven E. Bledsoe
Larson O'Brien LLP
555 South Flower Street
Suite 450
Los Angeles, California 90071

Re: Confidential Settlement Agreement – Barela v. [redacted]

Dear Steven:

This responds to your letter of November 20, 2018. Thanks for confirming that Mr. Barela and your firm will comply with the confidentiality provisions of the Confidential Settlement Agreement executed by Mr. Barela and [redacted] on December 28, 2017 ("Settlement Agreement") in connection with this matter. I have enclosed a true and correct copy of the fully executed Settlement Agreement. We are still in the process of gathering the complete wire-transfer information. I will let you know when I have that information. To reiterate, the wire-transfer information must be treated in conformance with the confidentiality provision in the Settlement Agreement.

We agree that paragraphs 18.b.-c. address the situations described in the third paragraph of your letter. To the extent the confidentiality provision in the Settlement Agreement is inconsistent with applicable legal or ethical requirements, [redacted] will not assert that compliance with those requirements constitutes a breach of the confidentiality provision.

Thanks for agreeing to prepare a proposed amendment to the Settlement Agreement and to notify Mr. Avenatti of the amendment. We will review the proposed amendment once we receive it.

Best regards,

David J. Sheikh

Enclosure

CONFIDENTIAL SETTLEMENT AGREEMENT

This Confidential Settlement Agreement ("Agreement") is entered into as of December 20, 2017, by and between Greg Barela, an individual who resides at 2801 Alton Parkway, Apt. 402, Irvine, California 92606 ("Barela"), and [redacted] d/b/a [redacted] a Colorado limited liability company with its principal place of business at [redacted] Barela and [redacted] are collectively referred to as the "Parties."

Recitals

Barela and [redacted] are parties in an arbitration pending before Magistrate Judge Boyd N. Boland (Ret.) styled *Greg Barela v.* [redacted] *d/b/a* [redacted] JAG Arbitration No. 2015-1031A (the "Arbitration").

In the Arbitration, Barela asserted claims for correction of inventorship of U.S. Patent No. 8,662,787; a declaration that Barela is a co-owner with [redacted] of U.S. Patent No. 8,662,787; trade secret misappropriation; and unjust enrichment. [redacted] disputed Barela's claims.

On December 20, 2017, Barela and [redacted] agreed to a final compromise and settlement of the Arbitration and all disputes between them. Specifically, the Parties entered into a binding and enforceable agreement setting forth the terms and conditions of their final compromise and settlement, and further agreed to enter into a formal written agreement by December 29, 2017.

This Agreement formally sets forth the terms and conditions of the Parties' agreed-to final compromise and settlement of the Arbitration and all disputes between them.

Definitions

For purposes of this Agreement, the following terms have the following meanings:

1. A Party's "Affiliate" means an entity or individual that Controls, is Controlled by, is Controlling, or is under common Control with respect to the Party.

2. "Asserted Trade Secret" means: All trade secrets that were or could have been asserted by Barela in the Arbitration, including but not limited to the Paver Invention.

3. "[redacted] Patent Rights" means: (a) U.S. Patents Nos. 8,662,787; 8,827,590; 8,967,905; D645,169; 8,236,392; 8,353,640; D637,318; and 7,244,477; and

(b) all provisional applications, parent applications, continuations, continuations-in-part, divisionals, extensions, renewals, substitutions, reissues, reexaminations, *inter partes* reviews and foreign counterparts of any of the patents identified in (a).

4. "Control" (including, with correlative meanings, "Controls," "Controlled by" and "Controlling") means the power to direct or to cause the direction of the management and policies of an entity or an individual, directly or indirectly, whether through ownership of voting securities, by contract, or otherwise. With respect to a corporation, limited liability company, partnership or other entity, control includes direct or indirect ownership of at least fifty-one percent (51%) of the voting stock, limited liability company interest, partnership interest or other voting interest (or equivalent interest) in such corporation, limited liability company, partnership or other entity.

5. "Released Products" means: All products involving any of the [redacted] Patent Rights created, designed, made, used, offered for sale, distributed, sold, or imported by, for, or under license from [redacted] or any predecessor, Successor or Affiliate of [redacted] Released Products include, but are not limited to, Underlayment products sold under the name PaverBase®.

6. "Successor" means a Third Party that: (a) acquires substantially all the assets of either Party; or (b) acquires all or a portion of [redacted] business relating to the [redacted] Patent Rights and/or the Released Products; or (c) results from a reconstruction, amalgamation, merger, consolidation or reorganization of or with [redacted]

7. "Third Party" means any entity or individual other than Barela or [redacted]

8. "Underlayments" means underlayments for use with pavers, patio stones and other paving elements for pedestrian and/or vehicle traffic.

Warranties and Representations

9. Barela, on behalf of himself and his predecessors and Affiliates, warrants and represents that he has the authority to enter into and be bound by this Agreement.

10. Barela, on behalf of himself and his predecessors and Affiliates, warrants and represents that he is unaware of any claim by a Third Party against [redacted] related to the Asserted Trade Secret, the [redacted] Patent Rights or the Released Products.

11. [redacted] on behalf of itself and its predecessors and Affiliates, warrants and represents that it has the authority to enter into and be bound by this Agreement.

Payments to Barela

12. [redacted] will pay the total sum of One Million Nine Hundred Thousand U.S. Dollars (USD 1,900,000) to Barela as follows:

a. The sum of One Million Six Hundred Thousand U.S. Dollars (USD 1,600,000) will be paid by [redacted] to Barela on January 10, 2018; and

b. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on January 10, 2019; and

c. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on January 10, 2020; and

d. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on January 10, 2021.

13. The payments specified in paragraph 12 are subject to Barela's (including his predecessors, Successors, assigns, heirs and Affiliates) ongoing compliance with the Agreement.

14. Each of the payments specified in paragraph 12 shall be made by wire-transfer to a trust account specified in an email from Barela's counsel (Michael Avenatti) to [redacted] counsel (David Sheikh) on or before January 3, 2018.

Waiver and Releases

15. Barela, on behalf of himself and his predecessors, Successors, assigns, heirs and Affiliates, hereby waives, releases and forever discharges all claims to any rights or interest in or to the [redacted] Patent Rights and the Released Products including, without limitation, the ability or right to challenge, directly or by assisting a Third Party, to the inventorship, validity or enforceability of any of the [redacted] Patent Rights, including any lawsuit, protest, opposition, interference, post-grant review, reexamination, *inter partes* review or the like in any court or governmental agency anywhere in the world.

16. Barela, on behalf of himself and his predecessors, Successors, assigns, heirs and Affiliates, hereby releases [redacted] including its predecessors, Successors, assigns, heirs and Affiliates, from any and all claims, liabilities, demands and causes of action, whether or not now known, suspected or claimed, which Barela ever had,

now has or claims to have, regarding the [redacted] Patent Rights and/or the Released Products, including any such claims that were or could have been asserted in a court, in the Arbitration, or in any other proceeding.

17. [redacted] on behalf of itself and its predecessors, Successors, assigns, heirs and Affiliates, hereby releases Barela, including his predecessors, Successors, assigns, heirs and Affiliates, from any and all claims, liabilities, demands and causes of action, whether or not now known, suspected or claimed, which [redacted] ever had, now has or claims to have, regarding the [redacted] Patent Rights and/or the Released Products, including any such claims that were or could have been asserted in a court, in the Arbitration, or in any other proceeding.

Confidentiality

18. The Parties hereby agree that this Agreement and its terms and conditions are and will remain confidential. The Parties further agree that they will not disclose, provide, or produce this Agreement or its terms and conditions publicly or to any Third Party. If a Party is asked about the outcome of the Arbitration, such Party cannot disclose the existence of this Agreement or the Agreement's terms and conditions. The Parties shall only disclose that the dispute between Barela and [redacted] has been resolved. Notwithstanding the foregoing:

a. Either Party may disclose this Agreement to its attorneys and accountants provided that such attorneys and accountants are bound by confidentiality obligations commensurate with this provision.

b. Either Party may disclose this Agreement and its terms and conditions as may be required by law, regulation, subpoena, or order of an arbitrator, a court, or other adjudicator of competent jurisdiction. If this disclosure is made during the course of litigation, the disclosure must be limited to the litigating parties' outside counsel and the arbitrator, court, or other adjudicator of competent jurisdiction.

c. Either Party may disclose this Agreement and its terms and conditions to the extent necessary to enforce this Agreement before a court or other adjudicator of competent jurisdiction.

d. [redacted] may privately state and confirm the fact that all disputes between [redacted] and Barela have been resolved in the context of confidential discussions with its business partners and suppliers.

e. [redacted] may disclose this Agreement and its terms and conditions to its contract manufacturer/supplier, JSP, its professional advisors, its board of directors, released Third Parties, and existing and potential investors, acquirers and purchasers, provided that such entities or individuals are bound by confidentiality obligations commensurate with this provision.

The Parties acknowledge and agree that this confidentiality provision is a material term of this Agreement and that a failure to comply with it constitutes a material breach of this Agreement. The Parties agree that it would be impossible, impractical or extremely difficult to fix the actual damages suffered by reason of a breach of this provision, and accordingly hereby agree that One Hundred Thousand U.S. Dollars (USD 100,000) shall be presumed to be the amount of damages sustained by reason of each such breach, without prejudice to the right of the non-breaching Party to also seek injunctive or other equitable relief, if appropriate.

Non-Disparagement

19. Each Party (including each Party's respective officers, directors, employees, predecessors, Successors, assigns, heirs and Affiliates) agrees not to make any false, negative, critical or disparaging statements, implied or express, written or oral, concerning the other Party (including the other Party's officers, directors, employees, predecessors, Successors, assigns, Affiliates and licensees) or the products, services or business operations of the other Party (including the other Party's predecessors, Successors, assigns, heirs, Affiliates and licensees). Each Party (including each Party's respective officers, directors, employees, predecessors, Successors, assigns, heirs and Affiliates) further agrees to do nothing that would damage the business reputation or good will of the other Party (including the other Party's officers, directors, employees, predecessors, Successors, assigns, heirs, Affiliates and licensees); provided, however, that nothing in this Agreement shall prohibit either Party's disclosure of information that is required to be disclosed in compliance with applicable laws or regulations or by order of an arbitrator, a court, or other adjudicator of competent jurisdiction. For the avoidance of doubt, this provision prohibits Barela (including his predecessors, Successors, assigns, heirs and Affiliates) from asserting, stating, or suggesting that Barela is an inventor or joint inventor of any of the [redacted] Patent Rights, that the [redacted] Patent Rights or the Released Products use or incorporate any trade secrets or other intellectual property of Barela, that Barela contributed in any way to the [redacted] Patent Rights or the Released Products, or that Barela has any rights or interest in any of the [redacted] Patent Rights or the Released Products. The Parties acknowledge and agree that this

non-disparagement provision is a material term of this Agreement and that a failure to comply with it constitutes a material breach of this Agreement. The Parties agree that it would be impossible, impractical or extremely difficult to fix the actual damages suffered by reason of a breach of this provision, and accordingly hereby agree that One Hundred Thousand U.S. Dollars (USD 100,000) shall be presumed to be the amount of damages sustained by reason of each such breach, without prejudice to the right of the non-breaching Party to also seek injunctive or other equitable relief, if appropriate.

Resolution of the Arbitration

20. Upon execution of this Agreement by both Parties, the Parties will voluntarily dismiss, with prejudice, all claims and defenses made against each other in the Arbitration. Each Party will pay its own fees, costs, and expenses, including attorneys' fees. Each Party will have the right to apply to the Judicial Arbiter Group, Inc. for a refund of its share of the arbitration fees that were deposited to reserve the Arbitration hearing dates.

Notices

21. Any notices required by this Agreement shall be made by email and express mail delivery or courier, signature required, postage pre-paid as follows:

For [redacted] [redacted] With a copy to: David J. Sheikh Lee Sheikh Megley & Haan 111 West Jackson Boulevard, Suite 2230 Chicago, Illinois 60604 Email: dsheikh@leesheikh.com	For Barela: Greg Barela c/o Michael Avenatti, Esq. 520 Newport Center Drive Suite 1400 Newport Beach, CA 92660 Email: mavenatti@eaganavenatti.com

Miscellaneous

22. Nothing in this Agreement shall be deemed to create or constitute a partnership, agency, employer-employee or joint venture relationship between Barela and [redacted]

23. The Parties acknowledge that they were represented by their respective counsel in connection with their settlement and this Agreement. This Agreement shall be interpreted according to its fair construction and shall not be construed against either Party.

24. This Agreement represents the entire agreement between Barela and [redacted] with respect to the subject matter of this Agreement, and supersedes all prior agreements, proposals, or understandings, whether written or oral, between Barela and [redacted] This Agreement may not be modified, changed, amended, supplemented or rescinded except pursuant to a written instrument duly executed by Barela and [redacted]

25. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned or transferred by any Party without the prior written consent of the other Party.

26. This Agreement is governed by, and construed in accordance with, the laws of the State of Colorado.

27. If any provision or portion of a provision of this Agreement is held by an arbitrator, a court, or other adjudicator of competent jurisdiction to be invalid under any applicable statute or rule of law, such arbitrator, court or other adjudicator is authorized to modify such provision to the minimum extent necessary to make it valid, and the remaining provisions or portions of provisions of this Agreement shall in no way be affected or impaired thereby.

28. This Agreement may be executed by Barela and [redacted] in separate counterparts and exchanged electronically, with the same effect as if Barela and [redacted] had signed the same instrument.

Barela and [redacted] hereby acknowledge their agreement and consent to the terms and conditions set forth above through their respective signatures by a duly authorized representative of each party:

GREG BARELA _____ Date: _____	[redacted] d/b/a [redacted] By: _____ Its: President Date: 28 Dec 2017

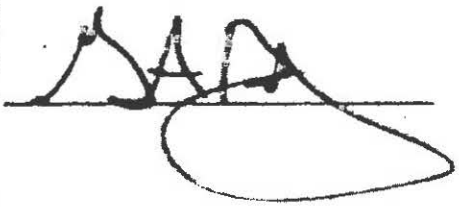
GREG BARELA	[redacted]
	By: _____ [redacted]
Date: 12-28-17	Title: _____ Date: _____

EXHIBIT 6

From: David Sheikh
To: Steven E. Bledsoe
Cc: Stephen G. Larson
Subject: RE: Barela/[redacted]
Date: Tuesday, November 27, 2018 1:44:06 PM
Attachments: Barela $1.6M wire confirmation - 1.5.18 (CONFIDENTIAL).pdf

---

CONFIDENTIAL

Hi Steven:

Please see the attached. Note that the attached is stamped "Confidential" under the Barela[redacted] agreement.

Best regards,

Dave

From: Steven E. Bledsoe <SBledsoe@larsonobrienlaw.com>
Sent: Tuesday, November 27, 2018 11:31 AM
To: David Sheikh <dsheikh@leesheikh.com>
Cc: Stephen G. Larson <SLarson@larsonobrienlaw.com>
Subject: Barela/[redacted]

Dave,

Following up on our earlier correspondence, please let us know if [redacted] has been able to locate a copy of the wire transfer confirmation from January 5, 2018. Also, please let us know if you have any other documents confirming Mr. Avenatti's receipt of the settlement payment. Thanks.

Best regards,

Steven E. Bledsoe
Partner
.....
LARSON·O'BRIEN LLP
555 South Flower Street, Suite 4400
Los Angeles, CA 90071
213.436.4866 Direct
213.436.4888 Office
213.623.2000 Fax
sbledsoe@larsonobrienlaw.com
.....

action in reliance upon this message. Instead, please notify us immediately by return e-mail and promptly delete this message and its attachments from your computer system. We do not waive attorney-client or work product privilege by the transmission of this message.

svb

Initiate a Single Outgoing Wire

Confirmation

You have successfully initiated a wire that is ready to be sent to SVB for processing.

Wire Type: Free Form Wire from a U.S.Dollar (USD) Account

Silicon Valley Bank Transaction ID: 2018010511406556 (This is an internal SVB tracking number)

Number of approvals required before sending: 0

Transaction Details

Debit Account:	OPERATING ACCOUNT ***3331
Processing Date:	01/05/2018
Transaction Amount:	1,600,000.00 - United States Dollars
Payment Method:	Wire

Beneficiary Details

Beneficiary Account:	[redacted]5566
Beneficiary Name:	BAR Settlement
Beneficiary Address:	520 Newport Center Dr Ste 1400 Newport Beach CA 92660

Beneficiary Bank Details

Beneficiary Bank Name:	CITY NATIONAL BANK
Bank City and State:	LOS ANGELES
Bank Country:	United States of America
ABA or SWIFT Code:	122016066

Remittance Information/Payment Instructions

Originator-to-Beneficiary Instructions:	[redacted]2018 Settlement Payment

Bank-to-Bank Instructions

Bank-to-Bank Instructions:

Intermediary Bank Instructions

Intermediary Bank ID:
Intermediary Name:
Intermediary Address:

Save As Template

If you wish to save these instructions as a template, please enter a unique template code and click "Save As Template".

Template Code: [ ] Save As Template

New Wire

CONFIDENTIAL

EXHIBIT 7

LARSON · O'BRIEN LLP

Steven E. Bledsoe
Direct: 213.436.4866
sbledsoe@larsonobrienlaw.com

December 3, 2018

VIA EMAIL

Michael Avenatti, Esq.
Michael Avenatti & Associates, APC
Eagan Avenatti, LLP

Re: Proceeds from Confidential Settlement Agreement - Barela v. [redacted] LLC

Dear Mr. Avenatti:

On November 17, 2018, we sent you a letter advising you of our firm's engagement by your former client Gregory Barela in connection with his efforts to collect the proceeds due him under the Confidential Settlement Agreement executed by Mr. Barela and [redacted] LLC on December 28, 2017 ("Settlement Agreement"). In our letter, we asked you to:

(1) confirm, in writing, your representations to Mr. Barela that [redacted] had failed to make the initial $1.6 million payment due under the terms of the Settlement Agreement;

(2) promptly provide a true and correct copy of the Settlement Agreement and any fee agreement you have with Mr. Barela; and

(3) provide an immediate accounting in the event [redacted] made the initial $1.6 million payment provided for in the Settlement Agreement.

You have not responded to our letter. You have likewise not responded to Mr. Barela's November 17, 2018 Request for Transfer of Files and Client Funds to our firm.

Your silence speaks volumes.

You have created a very unfortunate situation for all involved. In any event, Mr. Barela remains willing to resolve this matter without pursuing litigation against you, Mr. Ibrahim, and Mr. Arden. Your time to avoid litigation, however, is quickly running out.

If you would like to resolve this matter without court intervention, please let us know. Keep in mind that, at this point, any resolution will need to account for a judgment that would

likely include punitive damages. Of course, if you and your colleagues have done nothing wrong, you can also simply provide the information requested above.

Very truly yours,

Steven E. Bledsoe

EXHIBIT 8

ADDENDUM TO CONFIDENTIAL SETTLEMENT AGREEMENT

This Addendum to Confidential Settlement Agreement ("Addendum") is entered into as of January 3, 2019, by and between Gregory Barela ("Barela"), and [redacted] d/b/a [redacted]. Barela and [redacted] are collectively referred to as the "Parties."

Recitals

Barela and [redacted] entered into a Confidential Settlement Agreement ("Agreement") as of December 20, 2017 that was signed by the Parties on December 28, 2017.

Paragraph 12 of the Agreement provided that [redacted] would make the following four settlement payments to Barela: (1) $1.6 million by January 10, 2018; (2) $100,000 by January 10, 2019; (3) $100,000 by January 10, 2020; and (4) $100,000 by January 10, 2021.

Paragraph 13 of the Agreement provided that "the payments specified in paragraph 12 shall be made by wire-transfer to a trust account specified in an email from Barela's counsel (Michael Avenatti) to [redacted] counsel (David Sheikh) on or before January 3, 2018."

On January 2, 2018, Avenatti sent an email to Sheikh that specified an account and provided wire-transfer instructions.

On January 5, 2018 [redacted] made the initial $1.6 million settlement payment by wire transfer to the account specified by Avenatti and [redacted] has provided Barela with a wire transfer confirmation showing that the payment was made by [redacted] and received into the account designated by Avenatti. Accordingly, [redacted] has fully complied with its obligation to make the initial $1.6 million payment by January 10, 2018.

Barela has represented to [redacted] that paragraph 12 of the partial copy of the Agreement that Avenatti provided to Barela on December 28, 2017, and the complete copy of the Agreement that Avenatti's office provided to Barela on or about June 29, 2018, contain payments dates of March 10, 2018, March 10, 2019, March 10, 2020, March 10, 2021, respectively, for [redacted] settlement payments to Barela. Avenatti told Barela that the settlement payments were payable in March of each year (not January).

At the request of Barela, on November 21, 2018, [redacted] provided Barela with a true and correct copy of the fully executed Agreement which states that the initial payment of $1.6 million was due by January 10, 2018; a payment of $100,000 is due by January 10, 2019; a payment of $100,000 is due by January 10, 2020; and a payment of $100,000 is due by January 10, 2021.

Barela has represented to [redacted] that Avenatti has repeatedly represented to him that [redacted] did not make the initial $1.6 million payment due under the Agreement and that Avenatti has been making efforts to collect the $1.6 million that [redacted] had allegedly failed to pay on the purported March 10, 2018 due date specified in the copies of the Agreement Avenatti provided to Barela.

Barela has retained new counsel, Steven E. Bledsoe and Stephen G. Larson of Larson O'Brien LLP, to represent him with respect to his efforts to collect the amounts due to him under the Agreement.

Barela has represented to [redacted] that Avenatti has not responded to Larson O'Brien's November 17 and December 5, 2018 letters to Avenatti requesting that he: (1) confirm, in writing, his representations to Barela that [redacted] had failed to make the initial $1.6 million payment due under the terms of the Agreement; (2) promptly provide a true and correct copy of the Agreement; and (3) provide an immediate accounting in the event [redacted] had made the initial $1.6 million payment provided for in the Agreement.

Barela has requested that [redacted] make all further payments due to him under the Agreement via wire transfer to the trust account of Larson O'Brien LLP and, based on Barela's above-referenced representations, [redacted] has agreed to do so.

Agreement

1. [redacted] will pay all future amounts due under the Agreement to the trust account of Larson O'Brien LLP, as follows:

Wells Fargo Bank
433 N. Camden Drive
Beverly Hills, CA 90210
ABA Routing No: 121000248
Account No.: [redacted]2776
Account Name: Larson O'Brien LLP IOLTA Trust Account

2. Any future notices to Barela required by the Agreement shall be made by email and express mail delivery or courier, signature required, postage pre-paid to: Gregory Barela, c/o Steven E. Bledsoe, Esq., Larson O'Brien LLP, 555 S. Flower Street, Suite 4400, Los Angeles, CA 90071.

3. This Addendum may be executed by Barela and [redacted] in separate counterparts and exchanged electronically, with the same effect as if Barela and [redacted] had signed the same instrument.

Barela and [redacted] hereby acknowledge their agreement and consent to the terms and conditions set forth above through their respective signatures:

GREGORY BARELA

Date: January 3, 2019

[redacted]

By: Mark Buckley
Mark Buckley
CFO and VP of Administration

Date: January 3, 2019

DECLARATION OF DAVID J. SHEIKH

STATE BAR OF CALIFORNIA
OFFICE OF CHIEF TRIAL COUNSEL
MELANIE J. LAWRENCE, No. 230102
INTERIM CHIEF TRIAL COUNSEL
ANTHONY J. GARCIA, No. 171419
ASSISTANT CHIEF TRIAL COUNSEL
ANAND KUMAR, No. 261592
SUPERVISING ATTORNEY
ELI D. MORGENSTERN, No. 190560
SENIOR TRIAL COUNSEL
845 South Figueroa Street
Los Angeles, California 90017-2515
Telephone: (213) 765-1334

STATE BAR COURT

HEARING DEPARTMENT - LOS ANGELES

In the Matter of: MICHAEL JOHN AVENATTI, No. 206929, A Member of the State Bar	Case No. DECLARATION OF DAVID J. SHEIKH

I, David J. Sheikh, declare:

1. All statements made herein are true and correct and are based on my personal knowledge unless indicated as based on information or belief, and as to those statements I am informed and believe them to be true. If necessary, I could and would competently testify to the statements made herein.

2. I have been a member of the Illinois State Bar since November 5, 1992. I am a founding partner at the law firm of Lee Sheikh Megley & Haan LLC. Our offices are located in Chicago, Illinois. My practice focuses on litigation involving intellectual property disputes, particularly those involving patent, trade secrets, and unfair competition.

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3. At all relevant times to the facts asserted in this Declaration, I represented the Settling Party[1] in an intellectual property dispute brought against it by Mr. Gregory Barela. Mr. Michael Avenatti, whom I understand to be the respondent in these disciplinary proceedings, filed a lawsuit in federal court on behalf of Mr. Barela and against the Settling Party alleging multiple causes of action. Thereafter, Mr. Barela and the Settling Party entered into arbitration.

4. On December 20, 2017, Mr. Barela and the Settling Party agreed to a final compromise and settlement of the arbitration, with the Settling Party agreeing to pay a total of $1,900,000 to Mr. Barela, over four yearly installments. The first payment was in the amount of $1,600,000, with three subsequent annual payments of $100,000 each.

5. Between December 22, 2017, and December 28, 2017, respondent and I negotiated a written settlement agreement on behalf of our respective clients. The final written settlement agreement required the Settling Party to make an initial payment of $1,600,000 by January 10, 2018, and three additional payments of $100,000 by January 10 of 2019, 2020, 2021, respectively, for a total of $1,900,000.

6. On December 28, 2017, respondent emailed me the signature page for the settlement agreement, bearing Mr. Barela's signature.

7. On December 29, 2017, I emailed respondent a fully executed settlement agreement with Mr. Barela's and the Settling Party's signatures, which included the payment schedule that respondent and I had negotiated on behalf of our respective clients. A true and correct, though redacted, fully executed copy of the settlement agreement is attached to this Declaration as Exhibit 1.

8. On January 2, 2018, respondent sent an email to me specifying the client trust account and providing wiring instructions for the Settling Party to make the settlement payments according to the settlement agreement.

9. On January 5, 2018, the Settling Party made the initial $1,600,000 settlement payment by wire transfer to the client trust account specified by respondent on January 2, 2018.

[1] The corporation is not identified by name due to the confidentiality of the settlement agreement, discussed below.

10. At no time in March 2018, or at any time, did I say to respondent that I was in disbelief that the Settling Party had not made the initial $1,600,000 settlement payment, or words to that effect. Any assertion that the Settling Party did not make initial $1,600,000 payment is incorrect because the Settling Party made the payment on January 5, 2018.

11. At no time did I say to respondent that I did not understand why the Settling Party had not responded to my requests that the Settling Party make the initial $1,600,000, or words to that effect. Again, any assertion that the Settling Party did not make initial $1,600,000 payment is incorrect because the Settling Party made the payment on January 5, 2018.

12. On November 15, 2018, I received an email from Mr. Steven E. Bledsoe, an attorney at the law firm of Larson Obrien, LLP. In the email, Mr. Bledsoe explained that Mr. Barela had employed Mr. Bledsoe's firm in connection with Mr. Barela's efforts to collect on the proceeds from the December 28, 2017 settlement agreement with the Settling Party. Mr. Bledsoe asked me to: (i) confirm that the Settling Party made the $1,600,000 payment that Mr. Bledsoe indicated he believed was due on March 10, 2018; and (ii) provide him with a copy of the wire transfer confirmation. In the email, Mr. Bledsoe provided me with his cell phone number and invited me to call him. A true and correct copy of Mr. Bledsoe's November 15, 2018 email is attached to this Declaration as Exhibit 2.

13. On November 16, 2018, Mr. Bledsoe and I had a telephone conversation. During the telephone conversation, Mr. Bledsoe explained to me that respondent had advised Mr. Barela that the Settling Party did not make the initial $1,600,000 payment due under the terms of the settlement agreement. Mr. Bledsoe also noted that the copy of the settlement agreement provided to Mr. Barela by respondent provided for the initial payment to be made by the Settling Party on March 10, 2018. I explained to Mr. Bledsoe that the actual settlement agreement provided for the initial $1,600,000 payment to be made in January 2018, and that the Settling Party made the payment at that time. Given these discrepancies, Mr. Bledsoe emailed me a copy of the settlement agreement that respondent had presented to Mr. Barela.

14. On November 17, 2018, I received a letter via email from Mr. Bledsoe. In his November 17, 2018 letter, Mr. Bledsoe partially memorialized our November 16, 2018 telephone conversation, and requested that I provide him with: (i) a true and correct copy of the settlement agreement executed by the Settling Party and Mr. Barela; (ii) a copy of the wire transfer confirmation for the $1,600,000 settlement payment made by the Settling Party in January 2018; and (iii) any written confirmation with respondent's law firm concerning or confirming the settlement payment. Finally, Mr. Bledsoe requested that the Settling Party make all future payments due to Mr. Barela under the settlement agreement by wire transfer to Mr. Bledsoe's firm's client trust account. A true and correct copy of Mr. Bledsoe's November 17, 2018 letter to me is attached to this Declaration as Exhibit 3.

15. On November 20, 2018, I sent a letter to Mr. Bledsoe via email. In the letter, I repeated what I told him when we spoke by telephone on November 16, 2018; namely that: (i) the settlement agreement executed by Mr. Barela and the Settling Party required the Settling Party to make the initial payment by January 10, 2018, and the Settling Party did so by wire transfer on January 5, 2018; (ii) the copy of the purported settlement agreement that Mr. Bledsoe emailed to me during our November 16, 2018 telephone conversation is not a true and correct copy of the settlement agreement; and (iii) I had never seen the document with the initial payment date of March 2018 before I received it from him on November 16, 2018. In the letter, I also requested that Mr. Bledsoe prepare a proposed amendment to the settlement agreement that reflected his request for the future payments owed pursuant to the settlement agreement be made to Mr. Bledsoe's firm's client trust account instead of the trust account designated by respondent. A true and correct copy of my November 20, 2018 letter is attached to this Declaration as Exhibit 4.

16. On November 21, 2018, I sent Mr. Bledsoe a letter with a true and correct copy of the settlement agreement attached to it via email. A true and correct copy of my November 21, 2018 letter, as well as a true and correct, though redacted, copy of the settlement agreement that was attached to it are cumulatively attached to this Declaration as Exhibit 5.

17. On November 27, 2018, I provided Mr. Bledsoe with a copy of the confirmation of the January 5, 2018 wire transfer of the initial $1,600,000 payment required in the settlement agreement.

18. Consistent with my request, Mr. Bledsoe prepared an addendum to the settlement agreement. On January 3, 2019, Mr. Barela and the Settling Party signed the addendum which provided that the Settling Party would pay all future payments due under the settlement to Mr. Bledsoe's firm's client trust account. A true and correct copy of the addendum to the settlement agreement is attached to this Declaration as Exhibit 6.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated: June 3, 2019

David J. Sheikh
Declarant

EXHIBIT 1

CONFIDENTIAL SETTLEMENT AGREEMENT

This Confidential Settlement Agreement ("Agreement") is entered into as of December 20, 2017, by and between Greg Barela, an individual who resides at 2801 Alton Parkway, Apt. 402, Irvine, California 92606 ("Barela"), and [redacted] d/b/a [redacted] a Colorado limited liability company with its principal place of business at [redacted]. Barela and [redacted] are collectively referred to as the "Parties."

Recitals

Barela and [redacted] are parties in an arbitration pending before Magistrate Judge Boyd N. Boland (Ret.) styled *Greg Barela v.* [redacted] JAG Arbitration No. 2015-1031A (the "Arbitration").

In the Arbitration, Barela asserted claims for correction of inventorship of U.S. Patent No. 8,662,787; a declaration that Barela is a co-owner with [redacted] of U.S. Patent No. 8,662,787; trade secret misappropriation; and unjust enrichment. [redacted] disputed Barela's claims.

On December 20, 2017, Barela and [redacted] agreed to a final compromise and settlement of the Arbitration and all disputes between them. Specifically, the Parties entered into a binding and enforceable agreement setting forth the terms and conditions of their final compromise and settlement, and further agreed to enter into a formal written agreement by December 29, 2017.

This Agreement formally sets forth the terms and conditions of the Parties' agreed-to final compromise and settlement of the Arbitration and all disputes between them.

Definitions

For purposes of this Agreement, the following terms have the following meanings:

1. A Party's "Affiliate" means an entity or individual that Controls, is Controlled by, is Controlling, or is under common Control with respect to the Party.

2. "Asserted Trade Secret" means: All trade secrets that were or could have been asserted by Barela in the Arbitration, including but not limited to the Paver Invention.

3. "[redacted] Patent Rights" means: (a) U.S. Patents Nos. 8,662,787; 8,827,590; 8,967,905; D645,169; 8,236,392; 8,353,640; D637,318; and 7,244,477; and

(b) all provisional applications, parent applications, continuations, continuations-in-part, divisionals, extensions, renewals, substitutions, reissues, reexaminations, *inter partes* reviews and foreign counterparts of any of the patents identified in (a).

4. "Control" (including, with correlative meanings, "Controls," "Controlled by" and "Controlling") means the power to direct or to cause the direction of the management and policies of an entity or an individual, directly or indirectly, whether through ownership of voting securities, by contract, or otherwise. With respect to a corporation, limited liability company, partnership or other entity, control includes direct or indirect ownership of at least fifty-one percent (51%) of the voting stock, limited liability company interest, partnership interest or other voting interest (or equivalent interest) in such corporation, limited liability company, partnership or other entity.

5. "Released Products" means: All products involving any of the [redacted] Patent Rights created, designed, made, used, offered for sale, distributed, sold, or imported by, for, or under license from [redacted] or any predecessor, Successor or Affiliate of [redacted] Released Products include, but are not limited to, Underlayment products sold under the name PaverBase®.

6. "Successor" means a Third Party that: (a) acquires substantially all the assets of either Party; or (b) acquires all or a portion of [redacted] business relating to the [redacted] Patent Rights and/or the Released Products; or (c) results from a reconstruction, amalgamation, merger, consolidation or reorganization of or with [redacted]

7. "Third Party" means any entity or individual other than Barela or [redacted]

8. "Underlayments" means underlayments for use with pavers, patio stones and other paving elements for pedestrian and/or vehicle traffic.

Warranties and Representations

9. Barela, on behalf of himself and his predecessors and Affiliates, warrants and represents that he has the authority to enter into and be bound by this Agreement.

10. Barela, on behalf of himself and his predecessors and Affiliates, warrants and represents that he is unaware of any claim by a Third Party against [redacted] related to the Asserted Trade Secret, the [redacted] Patent Rights or the Released Products.

11. [redacted] on behalf of itself and its predecessors and Affiliates, warrants and represents that it has the authority to enter into and be bound by this Agreement.

Payments to Barela

12. [redacted] will pay the total sum of One Million Nine Hundred Thousand U.S. Dollars (USD 1,900,000) to Barela as follows:

a. The sum of One Million Six Hundred Thousand U.S. Dollars (USD 1,600,000) will be paid by [redacted] to Barela on January 10, 2018; and

b. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on January 10, 2019; and

c. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on January 10, 2020; and

d. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on January 10, 2021.

13. The payments specified in paragraph 12 are subject to Barela's (including his predecessors, Successors, assigns, heirs and Affiliates) ongoing compliance with the Agreement.

14. Each of the payments specified in paragraph 12 shall be made by wire-transfer to a trust account specified in an email from Barela's counsel (Michael Avenatti) to [redacted] counsel (David Sheikh) on or before January 3, 2018.

Waiver and Releases

15. Barela, on behalf of himself and his predecessors, Successors, assigns, heirs and Affiliates, hereby waives, releases and forever discharges all claims to any rights or interest in or to the [redacted] Patent Rights and the Released Products including, without limitation, the ability or right to challenge, directly or by assisting a Third Party, to the inventorship, validity or enforceability of any of the [redacted] Patent Rights, including any lawsuit, protest, opposition, interference, post-grant review, reexamination, *inter partes* review or the like in any court or governmental agency anywhere in the world.

16. Barela, on behalf of himself and his predecessors, Successors, assigns, heirs and Affiliates, hereby releases [redacted] including its predecessors, Successors, assigns, heirs and Affiliates, from any and all claims, liabilities, demands and causes of action, whether or not now known, suspected or claimed, which Barela ever had,

now has or claims to have, regarding the [redacted] Patent Rights and/or the Released Products, including any such claims that were or could have been asserted in a court, in the Arbitration, or in any other proceeding.

17. [redacted] on behalf of itself and its predecessors, Successors, assigns, heirs and Affiliates, hereby releases Barela, including his predecessors, Successors, assigns, heirs and Affiliates, from any and all claims, liabilities, demands and causes of action, whether or not now known, suspected or claimed, which [redacted] ever had, now has or claims to have, regarding the [redacted] Patent Rights and/or the Released Products, including any such claims that were or could have been asserted in a court, in the Arbitration, or in any other proceeding.

Confidentiality

18. The Parties hereby agree that this Agreement and its terms and conditions are and will remain confidential. The Parties further agree that they will not disclose, provide, or produce this Agreement or its terms and conditions publicly or to any Third Party. If a Party is asked about the outcome of the Arbitration, such Party cannot disclose the existence of this Agreement or the Agreement's terms and conditions. The Parties shall only disclose that the dispute between Barela and [redacted] has been resolved. Notwithstanding the foregoing:

a. Either Party may disclose this Agreement to its attorneys and accountants provided that such attorneys and accountants are bound by confidentiality obligations commensurate with this provision.

b. Either Party may disclose this Agreement and its terms and conditions as may be required by law, regulation, subpoena, or order of an arbitrator, a court, or other adjudicator of competent jurisdiction. If this disclosure is made during the course of litigation, the disclosure must be limited to the litigating parties' outside counsel and the arbitrator, court, or other adjudicator of competent jurisdiction.

c. Either Party may disclose this Agreement and its terms and conditions to the extent necessary to enforce this Agreement before a court or other adjudicator of competent jurisdiction.

d. [redacted] may privately state and confirm the fact that all disputes between [redacted] and Barela have been resolved in the context of confidential discussions with its business partners and suppliers.

e. [redacted] may disclose this Agreement and its terms and conditions to its contract manufacturer/supplier, JSP, its professional advisors, its board of directors, released Third Parties, and existing and potential investors, acquirers and purchasers, provided that such entities or individuals are bound by confidentiality obligations commensurate with this provision.

The Parties acknowledge and agree that this confidentiality provision is a material term of this Agreement and that a failure to comply with it constitutes a material breach of this Agreement. The Parties agree that it would be impossible, impractical or extremely difficult to fix the actual damages suffered by reason of a breach of this provision, and accordingly hereby agree that One Hundred Thousand U.S. Dollars (USD 100,000) shall be presumed to be the amount of damages sustained by reason of each such breach, without prejudice to the right of the non-breaching Party to also seek injunctive or other equitable relief, if appropriate.

Non-Disparagement

19. Each Party (including each Party's respective officers, directors, employees, predecessors, Successors, assigns, heirs and Affiliates) agrees not to make any false, negative, critical or disparaging statements, implied or express, written or oral, concerning the other Party (including the other Party's officers, directors, employees, predecessors, Successors, assigns, Affiliates and licensees) or the products, services or business operations of the other Party (including the other Party's predecessors, Successors, assigns, heirs, Affiliates and licensees). Each Party (including each Party's respective officers, directors, employees, predecessors, Successors, assigns, heirs and Affiliates) further agrees to do nothing that would damage the business reputation or good will of the other Party (including the other Party's officers, directors, employees, predecessors, Successors, assigns, heirs, Affiliates and licensees); provided, however, that nothing in this Agreement shall prohibit either Party's disclosure of information that is required to be disclosed in compliance with applicable laws or regulations or by order of an arbitrator, a court, or other adjudicator of competent jurisdiction. For the avoidance of doubt, this provision prohibits Barela (including his predecessors, Successors, assigns, heirs and Affiliates) from asserting, stating, or suggesting that Barela is an inventor or joint inventor of any of the [redacted] Patent Rights, that the [redacted] Patent Rights or the Released Products use or incorporate any trade secrets or other intellectual property of Barela, that Barela contributed in any way to the [redacted] Patent Rights or the Released Products, or that Barela has any rights or interest in any of the [redacted] Patent Rights or the Released Products. The Parties acknowledge and agree that this

non-disparagement provision is a material term of this Agreement and that a failure to comply with it constitutes a material breach of this Agreement. The Parties agree that it would be impossible, impractical or extremely difficult to fix the actual damages suffered by reason of a breach of this provision, and accordingly hereby agree that One Hundred Thousand U.S. Dollars (USD 100,000) shall be presumed to be the amount of damages sustained by reason of each such breach, without prejudice to the right of the non-breaching Party to also seek injunctive or other equitable relief, if appropriate.

Resolution of the Arbitration

20. Upon execution of this Agreement by both Parties, the Parties will voluntarily dismiss, with prejudice, all claims and defenses made against each other in the Arbitration. Each Party will pay its own fees, costs, and expenses, including attorneys' fees. Each Party will have the right to apply to the Judicial Arbiter Group, Inc. for a refund of its share of the arbitration fees that were deposited to reserve the Arbitration hearing dates.

Notices

21. Any notices required by this Agreement shall be made by email and express mail delivery or courier, signature required, postage pre-paid as follows:

For [redacted] [redacted] With a copy to: David J. Sheikh Lee Sheikh Megley & Haan 111 West Jackson Boulevard, Suite 2230 Chicago, Illinois 60604 Email: dsheikh@leesheikh.com	For Barela: Greg Barela c/o Michael Avenatti, Esq. 520 Newport Center Drive Suite 1400 Newport Beach, CA 92660 Email: mavenatti@eaganavenatti.com

Miscellaneous

22. Nothing in this Agreement shall be deemed to create or constitute a partnership, agency, employer-employee or joint venture relationship between Barela and [redacted]

23. The Parties acknowledge that they were represented by their respective counsel in connection with their settlement and this Agreement. This Agreement shall be interpreted according to its fair construction and shall not be construed against either Party.

24. This Agreement represents the entire agreement between Barela and [redacted] with respect to the subject matter of this Agreement, and supersedes all prior agreements, proposals, or understandings, whether written or oral, between Barela and [redacted] This Agreement may not be modified, changed, amended, supplemented or rescinded except pursuant to a written instrument duly executed by Barela and [redacted]

25. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned or transferred by any Party without the prior written consent of the other Party.

26. This Agreement is governed by, and construed in accordance with, the laws of the State of Colorado.

27. If any provision or portion of a provision of this Agreement is held by an arbitrator, a court, or other adjudicator of competent jurisdiction to be invalid under any applicable statute or rule of law, such arbitrator, court or other adjudicator is authorized to modify such provision to the minimum extent necessary to make it valid, and the remaining provisions or portions of provisions of this Agreement shall in no way be affected or impaired thereby.

28. This Agreement may be executed by Barela and [redacted] in separate counterparts and exchanged electronically, with the same effect as if Barela and [redacted] had signed the same instrument.

Barela and [redacted] hereby acknowledge their agreement and consent to the terms and conditions set forth above through their respective signatures by a duly authorized representative of each party.

GREG BARELA _____ Date: _____	[redacted] d/b/a [redacted] By: _____ Its: President Date: 28 Dec 2017

GREG BARELA	[redacted]
	By: [redacted]
	Its:
Date: 12-28-17	Date:

EXHIBIT 2

From: Steven E. Bledsoe
To: dsheikh@leesheikh.com
Cc: Stephen G. Larson
Subject: Payment of Settlement Proceeds: Barela v. [redacted]
Date: Thursday, November 15, 2018 8:00:55 PM

Mr. Sheikh,

Our firm has been engaged to represent Greg Barela in connection with his efforts to collect the proceeds from his December 28, 2017 Confidential Settlement Agreement with [redacted]

As you know, pursuant to the terms of the settlement agreement, [redacted] agreed to pay Mr. Barela the initial $1.6 million settlement payment on March 10, 2018. Such payment was to be made via wire transfer to the client trust account of Mr. Barela's then counsel, Michael Avenatti. We ask that you confirm that the $1.6 million payment was made by [redacted] USA. We also ask that you provide us with a copy of the wire transfer confirmation.

We would greatly appreciate your prompt attention to this matter. I coincidentally happen to be in Chicago through noon tomorrow. If you would like to discuss this matter in person, please let me know and I will come by your office before I head to the airport. I can also be reached on my cell phone at 818-921-0306. Thank you.

Best regards,

Steven E. Bledsoe
Partner
.....
LARSON·O'BRIEN LLP
555 South Flower Street, Suite 4400
Los Angeles, CA 90071
213.436.4866 Direct
213.436.4888 Office
213.623.2000 Fax
sbledsoe@larsonobrienlaw.com
.....

EXHIBIT 3

LARSON · O'BRIEN LLP

Steven E. Bledsoe
Direct: 213.436.4866
Email: sbledsoe@larsonobrienlaw.com

VIA EMAIL

November 17, 2018

David J. Sheikh, Esq.
Lee Sheikh Megley& Haan
111 West Jackson Blvd.
Chicago, IL 60604

Re: Confidential Settlement Agreement - Barela v. [redacted]

Dear David:

This letter follows up on my email message to you on November 15, 2018 and our telephone conversation on November 16, 2018 concerning the above-referenced matter. Our firm has been engaged by Gregory Barela in connection with his efforts to collect the proceeds due him pursuant to the terms of the Confidential Settlement Agreement executed by Mr. Barela and [redacted] on December 28, 2017 ("Settlement Agreement").

Mr. Barela has been advised by Michael Avenatti that [redacted] did not make the initial $1.6 million payment due under the terms of the Settlement Agreement. I note that paragraph 12.a. on page 3 of the copy of the Settlement Agreement provided to Mr. Barela by Mr. Avenatti provides for the initial settlement payment to be made by [redacted] on March 10, 2018. I understand from our telephone conversation that the Settlement Agreement actually provides for the initial $1.6 million payment to be made in January 2018, which is why [redacted] made the payment at that time.

Given these discrepancies, we ask that you promptly provide us with a true and correct copy of the Settlement Agreement executed by [redacted] and Mr. Barela on December 28, 2018. We further request that you provide us with a copy of the wire transfer confirmation for the $1.6 million settlement payment made by [redacted] in January 2018, as well as any written correspondence with Mr. Avenatti's firm concerning or confirming the settlement payment.

Finally, Mr. Barela requests that [redacted] make all future payments due him under the Settlement Agreement by wire transfer to our firm's client trust account. We will provide wire transfer information for our client trust account under separate cover.

We greatly appreciate your prompt attention to this matter.

Very truly yours,

LARSON O'BRIEN LLP

Steven E. Bledsoe

Approved and Confirmed:

Gregory Barela

Date: November 17, 2018

EXHIBIT 4

LEE SHEIKH MEGLEY & HAAN

111 West Jackson Boulevard, Suite 2230
Chicago, Illinois 60604

(312) 982-0070

www.leesheikh.com

David J. Sheikh
Direct Dial: (312) 982-0062

dsheikh@leesheikh.com

Confidential

November 20, 2018

Via Email: sbledsoe@larsonobrienlaw.com

Steven E. Bledsoe
Larson O'Brien LLP
555 South Flower Street
Suite 450
Los Angeles, California 90071

Re: Confidential Settlement Agreement – Barela v. [redacted]

Dear Steven:

This responds to your letter of November 17, 2018. I also received your follow-up voicemail message. I needed to discuss your letter with my client, which I have now done.

At the outset, I want to reemphasize and expand on what I told you when we spoke by telephone on November 16, 2018. [redacted] finally and completely resolved its dispute with Greg Barela under the terms of the December 20, 2017 Confidential Settlement Agreement ("Settlement Agreement"). The *Barela v.* [redacted] arbitration was dismissed, with prejudice, on December 29, 2017. Furthermore, [redacted] has fully complied with its obligations under the Settlement Agreement, including making the $1.6 million payment to the account designated by Michael Avenatti on behalf of Mr. Barela. The Settlement Agreement required [redacted] to make the payment by January 10, 2018, and [redacted] did so by wire transfer on January 5, 2018. Any assertion that [redacted] did not make the $1.6 million payment is demonstrably false. The document that you emailed to me during our November 16, 2018 call is not a true and correct copy of the Settlement Agreement. We had not seen that document before receiving it from you. [redacted] is not involved in Mr. Barela's dispute with Mr. Avenatti, and is displeased that it has had to invest resources to address this matter in response to your inquiries. Aside from its remaining obligations under the Settlement Agreement, [redacted] wants no further dealings with Mr. Barela, Mr. Avenatti, or anyone associated with them.

You have requested that [redacted] provide a true and correct copy of the Settlement Agreement and documentation confirming [redacted] payment to Mr. Barela. As a precondition of [redacted] providing this information, I need written confirmation that all communications and information exchanged between us regarding this matter will be treated in conformance with the confidentiality provision in the Settlement Agreement, which states as follows:

18. The Parties hereby agree that this Agreement and its terms and conditions are and will remain confidential. The Parties further agree that they will not disclose, provide, or produce this Agreement or its terms and conditions publicly or to any Third Party. If a Party is asked about the outcome of the Arbitration, such Party cannot disclose the existence of this Agreement or the Agreement's terms and conditions. The Parties shall only disclose that the dispute between Barela and [redacted] has been resolved. Notwithstanding the foregoing:

a. Either Party may disclose this Agreement to its attorneys and accountants provided that such attorneys and accountants are bound by confidentiality obligations commensurate with this provision.

b. Either Party may disclose this Agreement and its terms and conditions as may be required by law, regulation, subpoena, or order of an arbitrator, a court, or other adjudicator of competent jurisdiction. If this disclosure is made during the course of litigation, the disclosure must be limited to the litigating parties' outside counsel and the arbitrator, court, or other adjudicator of competent jurisdiction.

c. Either Party may disclose this Agreement and its terms and conditions to the extent necessary to enforce this Agreement before a court or other adjudicator of competent jurisdiction.

d. [redacted] may privately state and confirm the fact that all disputes between [redacted] and Barela have been resolved in the context of confidential discussions with its business partners and suppliers.

e. [redacted] may disclose this Agreement and its terms and conditions to its contract manufacturer/supplier, JSP, its professional advisors, its board of directors, released Third Parties, and existing and potential investors, acquirers and purchasers, provided that such entities or individuals are bound by confidentiality obligations commensurate with this provision.

The Parties acknowledge and agree that this confidentiality provision is a material term of this Agreement and that a failure to comply with it constitutes a material breach of this Agreement. The Parties agree that it would be impossible, impractical or extremely difficult to fix the actual damages suffered by reason of a breach of this provision, and accordingly hereby agree that One Hundred Thousand U.S. Dollars (USD 100,000) shall be presumed to be the amount of damages sustained by reason of each such breach, without prejudice to the right of the non-breaching Party to also seek injunctive or other equitable relief, if appropriate.

The Settlement Agreement requires three future payments by [redacted] to Mr. Barela. You have requested that [redacted] make these payments to your firm's client trust account. However, this will require a formal amendment to the Settlement Agreement. Paragraph 14 of the Settlement Agreement states that "[e]ach of the payments specified in paragraph 12 shall be made by wire-transfer to a trust account specified in an email from Barela's counsel (Michael Avenatti) to [redacted] counsel (David Sheikh) on or before January 3, 2018." On January 2, 2018, Mr. Avenatti provided the wire-transfer instructions, which are a material part of the agreement. [redacted] made the $1.6 million payment into

the account designated by Mr. Avenatti. Please prepare a proposed amendment to the Settlement Agreement that reflects your request for the future payments to be made to your firm's client trust account instead of the trust account designated by Mr. Avenatti. Notice of the amendment will need to be provided to Mr. Avenatti.

Please get back to me regarding the above.

Best regards,

David J. Sheikh

EXHIBIT 5

LEE SHEIKH MEGLEY & HAAN

111 West Jackson Boulevard, Suite 2230
Chicago, Illinois 60604

(312) 982-0070

www.leesheikh.com

David J. Sheikh
Direct Dial: (312) 982-0062

dsheikh@leesheikh.com

Confidential

November 21, 2018

Via Email: *sbledsoe@larsonobrienlaw.com*

Steven E. Bledsoe
Larson O'Brien LLP
555 South Flower Street
Suite 450
Los Angeles, California 90071

Re: Confidential Settlement Agreement – Barela v. [redacted]

Dear Steven:

This responds to your letter of November 20, 2018. Thanks for confirming that Mr. Barela and your firm will comply with the confidentiality provisions of the Confidential Settlement Agreement executed by Mr. Barela and [redacted] on December 28, 2017 ("Settlement Agreement") in connection with this matter. I have enclosed a true and correct copy of the fully executed Settlement Agreement. We are still in the process of gathering the complete wire-transfer information. I will let you know when I have that information. To reiterate, the wire-transfer information must be treated in conformance with the confidentiality provision in the Settlement Agreement.

We agree that paragraphs 18.b.-c. address the situations described in the third paragraph of your letter. To the extent the confidentiality provision in the Settlement Agreement is inconsistent with applicable legal or ethical requirements, [redacted] will not assert that compliance with those requirements constitutes a breach of the confidentiality provision.

Thanks for agreeing to prepare a proposed amendment to the Settlement Agreement and to notify Mr. Avenatti of the amendment. We will review the proposed amendment once we receive it.

Best regards,

David J. Sheikh

Enclosure

CONFIDENTIAL SETTLEMENT AGREEMENT

This Confidential Settlement Agreement ("Agreement") is entered into as of December 20, 2017, by and between Greg Barela, an individual who resides at 2801 Alton Parkway, Apt. 402, Irvine, California 92606 ("Barela"), and [redacted] d/b/a [redacted] a Colorado limited liability company with its principal place of business at [redacted] Barela and [redacted] are collectively referred to as the "Parties."

Recitals

Barela and [redacted] are parties in an arbitration pending before Magistrate Judge Boyd N. Boland (Ret.) styled *Greg Barela v.* [redacted] *d/b/a* [redacted] JAG Arbitration No. 2015-1031A (the "Arbitration").

In the Arbitration, Barela asserted claims for correction of inventorship of U.S. Patent No. 8,662,787; a declaration that Barela is a co-owner with [redacted] of U.S. Patent No. 8,662,787; trade secret misappropriation; and unjust enrichment. [redacted] disputed Barela's claims.

On December 20, 2017, Barela and [redacted] agreed to a final compromise and settlement of the Arbitration and all disputes between them. Specifically, the Parties entered into a binding and enforceable agreement setting forth the terms and conditions of their final compromise and settlement, and further agreed to enter into a formal written agreement by December 29, 2017.

This Agreement formally sets forth the terms and conditions of the Parties' agreed-to final compromise and settlement of the Arbitration and all disputes between them.

Definitions

For purposes of this Agreement, the following terms have the following meanings:

1. A Party's "Affiliate" means an entity or individual that Controls, is Controlled by, is Controlling, or is under common Control with respect to the Party.

2. "Asserted Trade Secret" means: All trade secrets that were or could have been asserted by Barela in the Arbitration, including but not limited to the Paver Invention.

3. "[redacted] Patent Rights" means: (a) U.S. Patents Nos. 8,662,787; 8,827,590; 8,967,905; D645,169; 8,236,392; 8,353,640; D637,318; and 7,244,477; and

(b) all provisional applications, parent applications, continuations, continuations-in-part, divisionals, extensions, renewals, substitutions, reissues, reexaminations, *inter partes* reviews and foreign counterparts of any of the patents identified in (a).

4. "Control" (including, with correlative meanings, "Controls," "Controlled by" and "Controlling") means the power to direct or to cause the direction of the management and policies of an entity or an individual, directly or indirectly, whether through ownership of voting securities, by contract, or otherwise. With respect to a corporation, limited liability company, partnership or other entity, control includes direct or indirect ownership of at least fifty-one percent (51%) of the voting stock, limited liability company interest, partnership interest or other voting interest (or equivalent interest) in such corporation, limited liability company, partnership or other entity.

5. "Released Products" means: All products involving any of the [redacted] Patent Rights created, designed, made, used, offered for sale, distributed, sold, or imported by, for, or under license from [redacted] or any predecessor, Successor or Affiliate of [redacted] Released Products include, but are not limited to, Underlayment products sold under the name PaverBase®.

6. "Successor" means a Third Party that: (a) acquires substantially all the assets of either Party; or (b) acquires all or a portion of [redacted] business relating to the [redacted] Patent Rights and/or the Released Products; or (c) results from a reconstruction, amalgamation, merger, consolidation or reorganization of or with [redacted]

7. "Third Party" means any entity or individual other than Barela or [redacted]

8. "Underlayments" means underlayments for use with pavers, patio stones and other paving elements for pedestrian and/or vehicle traffic.

Warranties and Representations

9. Barela, on behalf of himself and his predecessors and Affiliates, warrants and represents that he has the authority to enter into and be bound by this Agreement.

10. Barela, on behalf of himself and his predecessors and Affiliates, warrants and represents that he is unaware of any claim by a Third Party against [redacted] related to the Asserted Trade Secret, the [redacted] Patent Rights or the Released Products.

11. [redacted] on behalf of itself and its predecessors and Affiliates, warrants and represents that it has the authority to enter into and be bound by this Agreement.

Payments to Barela

12. [redacted] will pay the total sum of One Million Nine Hundred Thousand U.S. Dollars (USD 1,900,000) to Barela as follows:

a. The sum of One Million Six Hundred Thousand U.S. Dollars (USD 1,600,000) will be paid by [redacted] to Barela on January 10, 2018; and

b. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on January 10, 2019; and

c. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on January 10, 2020; and

d. The sum of One Hundred Thousand U.S. Dollars (USD 100,000) will be paid by [redacted] to Barela on January 10, 2021.

13. The payments specified in paragraph 12 are subject to Barela's (including his predecessors, Successors, assigns, heirs and Affiliates) ongoing compliance with the Agreement.

14. Each of the payments specified in paragraph 12 shall be made by wire-transfer to a trust account specified in an email from Barela's counsel (Michael Avenatti) to [redacted] counsel (David Sheikh) on or before January 3, 2018.

Waiver and Releases

15. Barela, on behalf of himself and his predecessors, Successors, assigns, heirs and Affiliates, hereby waives, releases and forever discharges all claims to any rights or interest in or to the [redacted] Patent Rights and the Released Products including, without limitation, the ability or right to challenge, directly or by assisting a Third Party, to the inventorship, validity or enforceability of any of the [redacted] Patent Rights, including any lawsuit, protest, opposition, interference, post-grant review, reexamination, *inter partes* review or the like in any court or governmental agency anywhere in the world.

16. Barela, on behalf of himself and his predecessors, Successors, assigns, heirs and Affiliates, hereby releases [redacted] including its predecessors, Successors, assigns, heirs and Affiliates, from any and all claims, liabilities, demands and causes of action, whether or not now known, suspected or claimed, which Barela ever had,

now has or claims to have, regarding the [redacted] Patent Rights and/or the Released Products, including any such claims that were or could have been asserted in a court, in the Arbitration, or in any other proceeding.

17. [redacted] on behalf of itself and its predecessors, Successors, assigns, heirs and Affiliates, hereby releases Barela, including his predecessors, Successors, assigns, heirs and Affiliates, from any and all claims, liabilities, demands and causes of action, whether or not now known, suspected or claimed, which [redacted] ever had, now has or claims to have, regarding the [redacted] Patent Rights and/or the Released Products, including any such claims that were or could have been asserted in a court, in the Arbitration, or in any other proceeding.

Confidentiality

18. The Parties hereby agree that this Agreement and its terms and conditions are and will remain confidential. The Parties further agree that they will not disclose, provide, or produce this Agreement or its terms and conditions publicly or to any Third Party. If a Party is asked about the outcome of the Arbitration, such Party cannot disclose the existence of this Agreement or the Agreement's terms and conditions. The Parties shall only disclose that the dispute between Barela and [redacted] has been resolved. Notwithstanding the foregoing:

a. Either Party may disclose this Agreement to its attorneys and accountants provided that such attorneys and accountants are bound by confidentiality obligations commensurate with this provision.

b. Either Party may disclose this Agreement and its terms and conditions as may be required by law, regulation, subpoena, or order of an arbitrator, a court, or other adjudicator of competent jurisdiction. If this disclosure is made during the course of litigation, the disclosure must be limited to the litigating parties' outside counsel and the arbitrator, court, or other adjudicator of competent jurisdiction.

c. Either Party may disclose this Agreement and its terms and conditions to the extent necessary to enforce this Agreement before a court or other adjudicator of competent jurisdiction.

d. [redacted] may privately state and confirm the fact that all disputes between [redacted] and Barela have been resolved in the context of confidential discussions with its business partners and suppliers.

e. [redacted] may disclose this Agreement and its terms and conditions to its contract manufacturer/supplier, JSP, its professional advisors, its board of directors, released Third Parties, and existing and potential investors, acquirers and purchasers, provided that such entities or individuals are bound by confidentiality obligations commensurate with this provision.

The Parties acknowledge and agree that this confidentiality provision is a material term of this Agreement and that a failure to comply with it constitutes a material breach of this Agreement. The Parties agree that it would be impossible, impractical or extremely difficult to fix the actual damages suffered by reason of a breach of this provision, and accordingly hereby agree that One Hundred Thousand U.S. Dollars (USD 100,000) shall be presumed to be the amount of damages sustained by reason of each such breach, without prejudice to the right of the non-breaching Party to also seek injunctive or other equitable relief, if appropriate.

Non-Disparagement

19. Each Party (including each Party's respective officers, directors, employees, predecessors, Successors, assigns, heirs and Affiliates) agrees not to make any false, negative, critical or disparaging statements, implied or express, written or oral, concerning the other Party (including the other Party's officers, directors, employees, predecessors, Successors, assigns, Affiliates and licensees) or the products, services or business operations of the other Party (including the other Party's predecessors, Successors, assigns, heirs, Affiliates and licensees). Each Party (including each Party's respective officers, directors, employees, predecessors, Successors, assigns, heirs and Affiliates) further agrees to do nothing that would damage the business reputation or good will of the other Party (including the other Party's officers, directors, employees, predecessors, Successors, assigns, heirs, Affiliates and licensees); provided, however, that nothing in this Agreement shall prohibit either Party's disclosure of information that is required to be disclosed in compliance with applicable laws or regulations or by order of an arbitrator, a court, or other adjudicator of competent jurisdiction. For the avoidance of doubt, this provision prohibits Barela (including his predecessors, Successors, assigns, heirs and Affiliates) from asserting, stating, or suggesting that Barela is an inventor or joint inventor of any of the [redacted] Patent Rights, that the [redacted] Patent Rights or the Released Products use or incorporate any trade secrets or other intellectual property of Barela, that Barela contributed in any way to the [redacted] Patent Rights or the Released Products, or that Barela has any rights or interest in any of the [redacted] Patent Rights or the Released Products. The Parties acknowledge and agree that this

non-disparagement provision is a material term of this Agreement and that a failure to comply with it constitutes a material breach of this Agreement. The Parties agree that it would be impossible, impractical or extremely difficult to fix the actual damages suffered by reason of a breach of this provision, and accordingly hereby agree that One Hundred Thousand U.S. Dollars (USD 100,000) shall be presumed to be the amount of damages sustained by reason of each such breach, without prejudice to the right of the non-breaching Party to also seek injunctive or other equitable relief, if appropriate.

Resolution of the Arbitration

20. Upon execution of this Agreement by both Parties, the Parties will voluntarily dismiss, with prejudice, all claims and defenses made against each other in the Arbitration. Each Party will pay its own fees, costs, and expenses, including attorneys' fees. Each Party will have the right to apply to the Judicial Arbiter Group, Inc. for a refund of its share of the arbitration fees that were deposited to reserve the Arbitration hearing dates.

Notices

21. Any notices required by this Agreement shall be made by email and express mail delivery or courier, signature required, postage pre-paid as follows:

For [redacted] [redacted] With a copy to: David J. Sheikh Lee Sheikh Megley & Haan 111 West Jackson Boulevard, Suite 2230 Chicago, Illinois 60604 Email: dsheikh@leesheikh.com	For Barela: Greg Barela c/o Michael Avenatti, Esq. 520 Newport Center Drive Suite 1400 Newport Beach, CA 92660 Email: mavenatti@eaganavenatti.com

Miscellaneous

22. Nothing in this Agreement shall be deemed to create or constitute a partnership, agency, employer-employee or joint venture relationship between Barela and [redacted]

23. The Parties acknowledge that they were represented by their respective counsel in connection with their settlement and this Agreement. This Agreement shall be interpreted according to its fair construction and shall not be construed against either Party.

24. This Agreement represents the entire agreement between Barela and [redacted] with respect to the subject matter of this Agreement, and supersedes all prior agreements, proposals, or understandings, whether written or oral, between Barela and [redacted] This Agreement may not be modified, changed, amended, supplemented or rescinded except pursuant to a written instrument duly executed by Barela and [redacted]

25. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned or transferred by any Party without the prior written consent of the other Party.

26. This Agreement is governed by, and construed in accordance with, the laws of the State of Colorado.

27. If any provision or portion of a provision of this Agreement is held by an arbitrator, a court, or other adjudicator of competent jurisdiction to be invalid under any applicable statute or rule of law, such arbitrator, court or other adjudicator is authorized to modify such provision to the minimum extent necessary to make it valid, and the remaining provisions or portions of provisions of this Agreement shall in no way be affected or impaired thereby.

28. This Agreement may be executed by Barela and [redacted] in separate counterparts and exchanged electronically, with the same effect as if Barela and [redacted] had signed the same instrument.

Barela and [redacted] hereby acknowledge their agreement and consent to the terms and conditions set forth above through their respective signatures by a duly authorized representative of each party:

GREG BARELA _____ Date: _____	[redacted] d/b/a [redacted] By: _____ Its: President Date: 28 Dec 2017

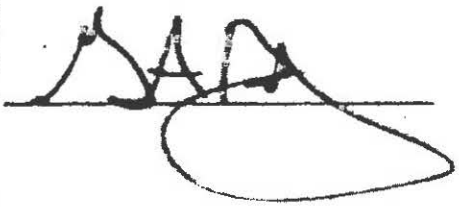
GREG BARELA	[redacted]
	By: _____ [redacted]
Date: 12-28-17	Title: _____ Date: _____

EXHIBIT 6

ADDENDUM TO CONFIDENTIAL SETTLEMENT AGREEMENT

This Addendum to Confidential Settlement Agreement ("Addendum") is entered into as of January 3, 2019, by and between Gregory Barela ("Barela"), and [redacted] d/b/a [redacted]. Barela and [redacted] are collectively referred to as the "Parties."

Recitals

Barela and [redacted] entered into a Confidential Settlement Agreement ("Agreement") as of December 20, 2017 that was signed by the Parties on December 28, 2017.

Paragraph 12 of the Agreement provided that [redacted] would make the following four settlement payments to Barela: (1) $1.6 million by January 10, 2018; (2) $100,000 by January 10, 2019; (3) $100,000 by January 10, 2020; and (4) $100,000 by January 10, 2021.

Paragraph 13 of the Agreement provided that "the payments specified in paragraph 12 shall be made by wire-transfer to a trust account specified in an email from Barela's counsel (Michael Avenatti) to [redacted] counsel (David Sheikh) on or before January 3, 2018."

On January 2, 2018, Avenatti sent an email to Sheikh that specified an account and provided wire-transfer instructions.

On January 5, 2018 [redacted] made the initial $1.6 million settlement payment by wire transfer to the account specified by Avenatti and [redacted] has provided Barela with a wire transfer confirmation showing that the payment was made by [redacted] and received into the account designated by Avenatti. Accordingly, [redacted] has fully complied with its obligation to make the initial $1.6 million payment by January 10, 2018.

Barela has represented to [redacted] that paragraph 12 of the partial copy of the Agreement that Avenatti provided to Barela on December 28, 2017, and the complete copy of the Agreement that Avenatti's office provided to Barela on or about June 29, 2018, contain payments dates of March 10, 2018, March 10, 2019, March 10, 2020, March 10, 2021, respectively, for [redacted] settlement payments to Barela. Avenatti told Barela that the settlement payments were payable in March of each year (not January).

At the request of Barela, on November 21, 2018, [redacted] provided Barela with a true and correct copy of the fully executed Agreement which states that the initial payment of $1.6 million was due by January 10, 2018; a payment of $100,000 is due by January 10, 2019; a payment of $100,000 is due by January 10, 2020; and a payment of $100,000 is due by January 10, 2021.

Barela has represented to [redacted] that Avenatti has repeatedly represented to him that [redacted] did not make the initial $1.6 million payment due under the Agreement and that Avenatti has been making efforts to collect the $1.6 million that [redacted] had allegedly failed to pay on the purported March 10, 2018 due date specified in the copies of the Agreement Avenatti provided to Barela.

Barela has retained new counsel, Steven E. Bledsoe and Stephen G. Larson of Larson O'Brien LLP, to represent him with respect to his efforts to collect the amounts due to him under the Agreement.

Barela has represented to [redacted] that Avenatti has not responded to Larson O'Brien's November 17 and December 5, 2018 letters to Avenatti requesting that he: (1) confirm, in writing, his representations to Barela that [redacted] had failed to make the initial $1.6 million payment due under the terms of the Agreement; (2) promptly provide a true and correct copy of the Agreement; and (3) provide an immediate accounting in the event [redacted] had made the initial $1.6 million payment provided for in the Agreement.

Barela has requested that [redacted] make all further payments due to him under the Agreement via wire transfer to the trust account of Larson O'Brien LLP and, based on Barela's above-referenced representations, [redacted] has agreed to do so.

Agreement

1. [redacted] will pay all future amounts due under the Agreement to the trust account of Larson O'Brien LLP, as follows:

Wells Fargo Bank
433 N. Camden Drive
Beverly Hills, CA 90210
ABA Routing No: 121000248
Account No.: [redacted]2776
Account Name: Larson O'Brien LLP IOLTA Trust Account

2. Any future notices to Barela required by the Agreement shall be made by email and express mail delivery or courier, signature required, postage pre-paid to: Gregory Barela, c/o Steven E. Bledsoe, Esq., Larson O'Brien LLP, 555 S. Flower Street, Suite 4400, Los Angeles, CA 90071.

3. This Addendum may be executed by Barela and [redacted] in separate counterparts and exchanged electronically, with the same effect as if Barela and [redacted] had signed the same instrument.

Barela and [redacted] hereby acknowledge their agreement and consent to the terms and conditions set forth above through their respective signatures:

GREGORY BARELA

Date: January 3, 2019

[redacted]

By: Mark Buckley
Mark Buckley
CFO and VP of Administration

Date: January 3, 2019

DECLARATION OF JOY NUNLEY

STATE BAR OF CALIFORNIA
OFFICE OF CHIEF TRIAL COUNSEL
MELANIE J. LAWRENCE, No. 230102
INTERIM CHIEF TRIAL COUNSEL
ANTHONY J. GARCIA, No. 171419
ASSISTANT CHIEF TRIAL COUNSEL
ANAND KUMAR, No. 261592
SUPERVISING ATTORNEY
ELI D. MORGENSTERN, No. 190560
SENIOR TRIAL COUNSEL
845 South Figueroa Street
Los Angeles, California 90017-2515
Telephone: (213) 765-1334

STATE BAR COURT

HEARING DEPARTMENT - LOS ANGELES

In the Matter of: MICHAEL JOHN AVENATTI, No. 206929, A Member of the State Bar	Case No. DECLARATION OF JOY NUNLEY (OCTC Case No. 19-TE-16715)

I, Joy Nunley, declare:

1. All statements made herein are true and correct and are based on my personal knowledge unless indicated as based on information or belief, and as to those statements I am informed and believe them to be true. If necessary, I could and would competently testify to the statements made herein.

2. I am an investigator employed by the Office of Chief Trial Counsel of the State Bar ("State Bar"). I have been employed as a State Bar Investigator for over 28 years.

3. On February 1, 2019, I was assigned to investigate OCTC case number 19-O-10483.

4. Case Number 19-O-10483 is based upon a complaint submitted by Mr. Steven E. Bledsoe, an attorney, on behalf of Mr. Gregory Barela, against Mr. Michael John Avenatti, the respondent in these disciplinary proceedings. I have checked the records maintained by the State

Bar and confirmed that respondent was admitted to the State Bar on June 1, 2000, and does not have a prior record of discipline.

5. The gravamen of Mr. Bledsoe's complaint on behalf of Mr. Barela is that:

(i) between on or about December 22, 2017, and on or about December 27, 2017, respondent negotiated a settlement agreement with the Settling Party[1] on behalf of Mr. Barela, respondent's client;

(ii) the settlement agreement required the Settling Party to make an initial payment of $1,600,000 by January 10, 2018, and three additional payments of $100,000 by January 10 of 2019, 2020, and 2021, respectively, for a total of $1,900,000;

(iii) on December 28, 2017, unbeknownst to Mr. Barela, respondent provided Mr. Barela with an altered copy of the settlement agreement which falsely represented the payment schedule as $1,600,000 due by March 10, 2018, and $100,000 due by March 10 of each of the three subsequent years;

(iv) on December 28, 2017, respondent provided a signature page bearing Mr. Barela's signature to the Settling Party's attorney;

(v) on December 29, 2017, respondent received a complete copy of the fully executed settlement agreement with Mr. Barela's and the Settling Party's signature, which included the payment schedule that had actually been negotiated by respondent but had been concealed from Mr. Barela;

(vi) on January 2, 2018, respondent sent an email to the Settling Party's attorney to wire the initial $1,600,000 settlement payment to the client trust account designated by respondent;

(vii) on January 5, 2018, as instructed by respondent, the Settling Party wired the initial $1,600,000 settlement payment to the client trust account designated by respondent in his January 2, 2018 email;

[1] The corporation is not identified by name due to the confidentiality of the settlement agreement.

(viii) after subtracting respondent's contingency fee, respondent was required to maintain approximately $840,000 in the client trust account on behalf of Mr. Barela;

(ix) between March 2018 and November 2018, respondent responded to Mr. Barela's inquiries concerning the status of his settlement funds with lies and evasions;

(x) between April 5, 2018, and November 5, 2018, respondent provided Mr. Barela with a total of $130,000, which respondent referred to as "advances" on the initial settlement payment, which respondent falsely represented to Mr. Barela as not having received;

(xi) to date, respondent has not paid Mr. Barela the remaining $710,000 that he owes to Mr. Barela; and

(xii) respondent never provided Mr. Barela with an accounting of the settlement funds or his client file.

6. The January 2, 2018 email from respondent to the Settling Party's attorney was one of the numerous documents that Mr. Bledsoe attached to his State Bar complaint. In the email, respondent instructed the Settling Party to wire the initial $1,600,000 payment to City National Bank, account no. xxxxx5566.[2]

7. On April 24, 2019, pursuant to the State Bar's subpoena, the State Bar received records related to City National Bank, account no. xxxxx5566. The account is titled, "Michael J. Avenatti Attorney Client Trust Account (BAR Settlement)" ("Barela CTA"). A true and correct copy of the bank records related to the Barela CTA are attached to this Declaration as Exhibit 1.

8. After I received the bank records for the Barela CTA, I reviewed and prepared an Excel spreadsheet based on them. A true and correct copy of the Excel spreadsheet that I prepared is attached to this Declaration as Exhibit 2.

9. In addition to creating the Excel spreadsheet, I also created a chart wherein I sorted

[2] The full account number is omitted for privacy reasons.

the outgoing debits from the Barela CTA by payee. A true and correct copy of the chart I created sorting the outgoing debits from the Barela CTA by payee is attached to this Declaration as Exhibit 3.

10. The subpoenaed bank records establish that:

(i) on January 5, 2018, the $1,600,000 initial settlement payment was wired by the Settling Party into the Barela CTA;

(ii) prior to January 5, 2018, the balance in the Barela CTA was $0.00;

(iii) the January 5, 2018, wire transfer was the first and last deposit of any kind made into the Barela CTA, not including interest;

(iv) respondent never paid himself or his law firm in one lump sum the contingency fee of $740,000 to which he was entitled per his fee agreement with Mr. Barela;

(v) respondent made numerous withdrawals from the Barela CTA for his own personal benefit, including purchasing a cashier's check payable to Edward Ricci, a Florida attorney, on January 8, 2018 in the amount of $617,840.44, five wire transfers to Dillanos Coffee Roasters between January 8, 2018, and February 12, 2018 in the total amount of $120,187.03; four wire transfers to Alki Bakery between January 16, 2018, and February 12, 2018 in the total amount of $43,505.41; and one wire transfer on January 24, 2018 to TD Ameritrade Clearing Inc. in the amount of $44,791.45;

(vi) by January 8, 2018, the balance in the Barela CTA decreased to $924,089.25;

(vii) by January 10, 2018, the balance in the Barela CTA decreased to $760,036.25;

(viii) By March 9, 2018, the balance in the Barela CTA decreased to $4,621.73.

(ix) by March 10, 2018—the date that Mr. Barela anticipated respondent would receive the first installment of the settlement funds—respondent had already disbursed to himself or other third parties approximately $835,378.27 (i.e., 99% of the $840,000 respondent was required to maintain in the Barela CTA);

(x) by March 14, 2018, about two months after the Settling Party wired the initial settlement payment of $1,600,000 into the Barela CTA, and before respondent had made any disbursements to, or for the benefit of, Mr. Barela from the Barela CTA, the balance in the Barela CTA was $609.87; and

(xi) by January 15, 2019, about one year after the Settling Party wired the initial settlement payment of $1,600,000 into the Barela CTA, and before respondent had made any disbursements to, or for the benefit of, Mr. Barela from the Barela CTA, the balance in the Barela CTA was $0.00.

(Exhibit 1, at pp. 7-21, 25-35, and Exhibits 2-3 attached hereto.)

11. On February 27, 2019, I sent Ms. Ellen Pansky, respondent's counsel, a letter via U.S. Mail and email asking her to respond to the allegations of misconduct being investigated by the State Bar in connection with OCTC case number 19-O-10483 by no later than March 15, 2019.

12. On March 14, 2019, Ms. Pansky sent me a letter via U.S. Mail and email requesting an extension of time to respond to my February 27, 2019 letter to March 22, 2019. I agreed to the extension.

13. On March 21, 2019, Ms. Pansky sent me a letter via U.S. Mail and email requesting an additional extension of time to respond to my February 27, 2019 letter to April 1, 2019. I agreed to the extension.

14. I am informed and believe that on Monday, March 24, 2019, the United States

Attorney for the Southern District of New York and for the Central District of California coordinated to arrest respondent at the same time for unrelated charges. I am informed and believe that the United States Attorney for the Southern District arrested respondent in connection with charges filed in the matter titled *United States of America v. Michael John Avenatti*, United States District Court, Southern District of New York, Case Number 1:19-mj-02927-UA-1. I am informed and believe that the complaint filed in case number 1:19-mj-02927-UA-1 charges that respondent tried to extort millions of dollars from Nike, Inc., the apparel company. A true and correct copy of the complaint in Case Number 1:19-mj-02927-UA-1 that I downloaded from PACER on April 29, 2019 is attached to this Declaration as Exhibit 4.

15. I am informed and believe that the United States Attorney for the Central District of California arrested respondent in connection with charges filed in the matter titled *United States of America v. Michael John Avenatti*, United States District Court, Central District of California (Southern Division-Santa Ana), Case Number 8:19-mj-00241. I am informed and believe that the complaint filed in case number 8:19-mj-00241 charges respondent with embezzling from a client, specifically Mr. Barela, and defrauding a bank by using false tax returns to obtain a loan. A true and correct copy of the complaint in Case Number 8:19-mj-00241filed as to respondent and approved by Magistrate Judge Douglas F. McCormick as to respondent that I downloaded from PACER on April 29, 2019 is attached to this Declaration as Exhibit 5.

16. On March 29, 2019, Ms. Pansky sent me letter via U.S. Mail and email. In the letter, Ms. Pansky stated, among other things:

> "As I am sure you are also well aware, Mr. Avenatti was arrested in New York last Monday, and he is being charged in criminal proceedings in both New York and California. As he was compiling information for me to use to provide the response due to your office, his computers and files were seized by the authorities, and he also is now precluded from communicating with his assistant. Consequently, it is not possible for him to provide me with the information and materials needed to complete my letters of explanation."

A true and correct copy of Ms. Pansky's March 29, 2019 letter is attached to this Declaration as Exhibit 6. At no time has Ms. Pansky provided a substantive response to the allegations of misconduct being investigated by the State Bar in connection with Case Number 19-O-10483.

17. I am informed and believe that on April 10, 2019, the United States Attorney for the Central District of California filed an indictment against respondent in a criminal matter titled *United States of America v. Michael John Avenatti*, United States District Court (Southern Division-Santa Ana), Case Number CR 8:19-cr-00061 (JVS). The indictment charges that respondent, among other charges, embezzled funds belonging to four of his former clients, including Mr. Barela. A true and correct copy of the Indictment in Case Number CR 8:19-cr-00061 (JVS) that I downloaded from PACER on April 29, 2019 is attached to this Declaration as Exhibit 7.

18. I am informed and believe that on the same day, *i.e*, April 10, 2019, Case Number 8:19-mj-00241 was merged into Case Number 8:19-cr-00061 and terminated. A true and correct copy of the docket for Case Number 8:19-mj-00241 that I downloaded from PACER on April 29, 2019 is attached to this Declaration as Exhibit 8.

19. I am informed and believe that on May 22, 2019, the United States Attorney for the Southern District of New York filed an indictment against respondent in a criminal matter titled *United States of America v. Michael John Avenatti*, United States District Court, Southern District of New York, Case Number CR 19-Cr. 374. The indictment charges that respondent, among other charges, embezzled funds belonging to a fifth client. A true and correct copy of the Indictment in Case Number 19 Cr. 374 that I downloaded from PACER on May 28, 2019 is attached to this Declaration as Exhibit 9.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this Declaration is executed this 3rd day of June, 2019, at Los Angeles, California.

Joy Nunley
Declarant

EXHIBIT 1

THE STATE BAR OF CALIFORNIA
OFFICE OF CHIEF TRIAL COUNSEL

19 - 0325

SUBPOENA

(California Business and Professions Code Sections 6049 to 6052 and 6069)

Received
MAR 26 2019
Compliance Support
VTO Inbox @ 1:30 pm
16014

In the Matter of	Case No. 19-O-10483
A State Bar Investigation.	**INVESTIGATION SUBPOENA FOR PRODUCTION OF DOCUMENTS AND THINGS (TRUST ACCOUNT FINANCIAL RECORDS)**

THE STATE BAR OF CALIFORNIA, TO: **Custodian of Records**
City National Bank
89 South Lake Avenue, Suite 100
Pasadena, CA 91101

1. **YOU ARE ORDERED TO APPEAR TO PRODUCE DOCUMENTS** in this investigation at the following time and place:

   Date: April 25, 2019 **Time:** 3:00 PM **Place:** THE STATE BAR OF CALIFORNIA
   OFFICE OF CHIEF TRIAL COUNSEL
   ATTENTION: MARTIN MINY
   845 South Figueroa Street
   Los Angeles, California 90017-2515
   Telephone: (213) 765-1000

2. **YOU ARE ORDERED TO PRODUCE THE FINANCIAL RECORDS DESCRIBED IN ATTACHMENT #1.**

3. This subpoena is directed to a financial institution. The production of financial records described in this subpoena is consistent with the scope and requirements of the above entitled State Bar proceeding.

4. There is reasonable cause to believe that the financial records described in attachment #1 pertain to trust accounts which the member of the State Bar of California who is the subject of these proceedings must maintain in accordance with the California Rules of Professional Conduct. All members of the State Bar have irrevocably authorized disclosure of trust account records to the State Bar of California by operation of law. (See California Business and Professions Code, section 6069(a).)

5. **You are not requested to appear in person; however, you are ordered to produce true, legible, and durable copies of the documents described in attachment #1, along with an affidavit of the Custodian of Records, in lieu of personal appearance if compliance is pursuant to California Evidence Code section 1560 et seq. Said records must be mailed under seal to the undersigned at The State Bar of California, 845 South Figueroa Street, Los Angeles, California 90017-2515.**

6. The records are to be produced by the date and time shown above in paragraph 1, but not sooner than 15 days after service of the subpoena.

7. You may be entitled to certain witness fees as provided by Evidence Code section 1563 for production of business records.

8. The State Bar is not required to issue notices to consumers (California Code of Civil Procedure section 1985.3(g)(3).

9. **IF YOU HAVE ANY QUESTIONS ABOUT THIS SUBPOENA, YOU MAY CONTACT ELI D. MORGENSTERN BEFORE THE DATE ON WHICH YOU ARE TO APPEAR AT (213) 765-1334. DISOBEDIENCE OF THIS SUBPOENA MAY BE PUNISHED AS CONTEMPT OF COURT IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA.**

Date issued: March 20, 2019

Eli D. Morgenstern
Senior Trial Counsel

Nunley/Avenatti/19o10483/CTA SDT/wss

Case Number: 19-O-10483

ATTACHMENT #1

Records relating to Account No. [redacted]5566, Account of Michael Avenatti, BAR Settlement, including:

1. Monthly statements issued for the period from January 1, 2018, to the present;

2. All signature cards pertaining to said account;

3. Front and back sides of checks issued from said account from January 1, 2018, to the present;

4. Deposit slips for the period from January 1, 2018, to the present;

5. Front and back sides of checks, offsetting debits, and other items deposited into said account for the period from January 1, 2018, to the present;

6. Any and all documents evidencing electronic debits and credits from January 1, 2018, to the present;

7. All documents pertaining to all Cashier's Checks, Bank Checks, and Money Orders purchased or negotiated, from said account from January 1, 2018, to the present, including but not limited to:
   - Documents (checks, debit memos, cash-in tickets, wires in, etc.) reflecting the means by which the checks or money orders were purchased; and
   - Documents (bank checks, credit memos, cash-out tickets, wires out, etc.) reflecting disbursements of the proceeds of any negotiated checks or money orders;

8. All documents pertaining to wire transfers sent or received from said account for the period from January 1, 2018, to the present, including but not limited to:
   - Fed Wire, CHIPS, SWIFT, or other money transfer of message documents;
   - Documents (checks, debit memos, cash-in tickets, wires in, etc.) reflecting the source of the funds wired out;
   - Documents (bank checks, credit memos, cash-out tickets, wires out, etc.) reflecting the disposition within the bank of the funds wired in; and
   - Correspondence files; and

9. All Currency Transactions Reports (Forms 4789) and Currency and Monetary Instrument Reports from January 1, 2018, to the present. It is requested that the data relating to monthly statements and individual transactions be produced in an electronic format in Microsoft Excel format, or in .csv file format, with information including field descriptions (e.g., account number, date/time, description, payee/payor, check number, item identifier, and amount), and in .pdf image file format.

10. It is requested that image data regarding canceled checks and deposited items be produced in graphic data files in a non-proprietary or commonly readable format with the highest image quality maintained (e.g., in a .jpg format or a .pdf format). Image data of items associated with specific transactions (e.g., checks, deposits) shall be produced in individual graphic data files with any associated endorsements, and linked to corresponding text data by a unique identifier.

M A A

CITY NATIONAL BANK
The way up.

BUSINESS ACCOUNT AGREEMENT

GENERAL ACCOUNT INFORMATION

Account Holder(s) ("Client")/dba: MICHAEL J AVENATTI ESQ. ATTORNEY CLIENT TRUST ACCOUNT — IOLTA

Type of Account: CA IOLTA State Bar Acct ✓ Account Number: [redacted]3512

Mailing Address: 520 NEWPORT CENTER DR SUITE 1400 NEWPORT , CA 92660

Telephone: Information on File E-Mail/Fax: Information on File

REPRESENTATION FOR INTEREST BEARING ACCOUNT

By signing below, I/we represent and warrant City National Bank ("CNB") that all funds in the referenced account are held solely for the benefit of natural persons or by a non-profit organization operated primarily for religious, philanthropic, charitable, educational or other similar purpose.

MINIMUM NUMBER OF SIGNATURES REQUIRED FOR AUTHORIZED WITHDRAWAL: 1

Signature Message Code: NONE

Taxpayer Information

BY SIGNING THE "AGREEMENT BY CLIENT" BELOW, I/WE CERTIFY UNDER PENALTIES OF PERJURY THAT:

1. THE CORRECT TAXPAYER IDENTIFICATION NUMBER OF THE ACCOUNT HOLDER IS: 493-90-2479; and,
2. THE TAXPAYER IDENTIFICATION NUMBER USED FOR TAX REPORTING PURPOSES IS THAT OF THE APPLICABLE STATE BAR ASSOCIATION CORRESPONDING TO THE STATE IN WHICH THE ACCOUNT IS MAINTAINED (TIN AVAILABLE UPON REQUEST); and,
3. THE ACCOUNT HOLDER IS NOT SUBJECT TO BACKUP WITHHOLDING DUE TO FAILURE TO REPORT INTEREST AND DIVIDEND INCOME; and,
4. THE ACCOUNT HOLDER IS A U.S. PERSON OR A U.S. RESIDENT ALIEN; and,
5. THE ACCOUNT HOLDER IS EXEMPT FROM FATCA REPORTING AND THE FATCA CODE (if any) ENTERED IS CORRECT

EXCEPT (Check applicable box)

☐ The Account Holder is currently subject to backup withholding and has not been notified by the Internal Revenue Service that backup withholding has been terminated.

☐ The Account Holder is a Non-Resident Alien, Foreign Citizen or Foreign Entity and is exempt from backup withholding and information reporting and an appropriate IRS Form W-8, Foreign Status Certificate has been completed.

Exemption from backup withholding payee code (if any) _____ Exemption from FATCA reporting code for accounts outside US only _____

Government Regulation may require that CNB report interest income information

CERTIFICATION OF AUTHORITY

By signing the "Agreement by Client" below, each signer declares under penalty of perjury under the laws of the state where signed that the following is true and correct: (1) The signer holds the title, office, or position indicated and is authorized by the Client to make this declaration and sign the Agreement on behalf of the Client; (2) If the Client is (a) a sole proprietorship, the signer is the sole proprietor; (b) a partnership, the signer is a general partner, or a managing partner; (c) a limited liability company, the signer is the Manager or Member designated to act on behalf of the Client or the signers are all of the Managers or Member so designated; (3) The signer is authorized to enter into deposit, fund transfer, brokerage, investment and treasury management agreement and deposit service agreement(s) on behalf of Client and to designate person(s) authorized to (a) act on behalf of Client and (b) designated persons as "Authorized Signers" on any accounts of Client established hereunder; and (4) When signed below no other person's signature or authorization is required to make the Agreement by Client binding and enforceable on the Client. (5) This authorization is in addition to all other authorizations now in existence.

IMAGED BY: _____

CENTRAL OPS #025
NEW ACCOUNTS SERVICES

Account Title :

MICHAEL J AVENATTI ESQ. ATTORNEY CLIENT TRUST ACCOUNT

Account Number:

[redacted]3512

AGREEMENT BY CLIENT

On behalf of the named Client, by signing below I/we acknowledge receipt of the Account Agreement and Disclosures and applicable disclosures and fee schedule(s) containing the terms, conditions and fees governing the account(s), products and services designated above and any accounts designated under "Additional Accounts" below and any products and services later contracted for, as amended by disclosures and fee schedule(s) provided at the time of contracting. I/We agree that these terms, conditions and fees govern each account established with City National Bank ("CNB") or City National Securities, Inc. ("CNS") and each service now or later contracted for, as amended by later disclosures. I/We agree that CNB or CNS may provide additional terms, conditions and fees from time to time, depending upon the products and services selected by me/us and that CNB or CNS may amend or change these terms, conditions and fees from time to time on any required notice. If any terms, conditions, fees and any changes thereto are not acceptable to me/us, I/we will close the account(s) or discontinue the service. Where applicable, my/our continued use of the products and/or services after receipt of the terms, conditions, fees and amendments constitute my/our acceptance of such terms, conditions, fees and amendments thereto. I/We agree that the Authorized Signer(s) may withdraw funds and initiate and confirm payment orders pursuant to the security procedure selected respecting the account(s) and each Authorized Signer may establish additional accounts with CNB or CNS in the same name(s) and subject to the same signing authority stated above, contract for additional services for the account(s), and otherwise give instruction to CNB or CNS. If I/We indicated we would like information about the products and services of CNS, you are authorized to share information about me/us between CNB and CNS.

FURTHER AGREEMENT FOR TREASURY MANAGEMENT

Capitalized terms used in this Authorization and Agreement, not otherwise defined, have the meanings given to them in the City National Bank Treasury Management Services Disclosure and Agreement (the "Agreement").

By signing below, the undersigned, on behalf of the Business Organization named below (the "Client"), acknowledges receipt of the Agreement and agrees to adhere to the terms and conditions contained in the Agreement, any applicable User Documentation, setup forms, related documents, and any other disclosures provided to the Client with regard to the provision of one or more City National Bank Treasury Management Services.

The Agreement supersedes other treasury management service agreements between the Client and CNB. For certain Treasury Management Services, the Agreement authorizes on page 5 the Client's System Administrator to assign passwords, user names, and Personal Identification Numbers to persons that will enable the persons to conduct transactions on deposit accounts set up on the Treasury Management Service, notwithstanding the signing authority identified in the deposit agreement. The System Administrator may also designate one or more other persons to perform these same functions the System Administrator is authorized to perform (each such person being called a "User Administrator"). THE AGREEMENT ALSO PROVIDES FOR BINDING ARBITRATION OF DISPUTES.

The Client may from time to time request CNB to provide one or more of the Services described in the Agreement. Subject to CNB's approval, the Client may begin to use any Service requested once CNB has received all required forms properly completed and the Client has successfully fulfilled any applicable user requirements, including but not limited to testing and training.

Further, the undersigned represents and warrants that the Client has taken all actions required to authorize the undersigned on behalf of the Client to execute and deliver this Authorization and Agreement and any other documents CNB may require with respect to a Service and that, when signed by the undersigned, this Authorization and Agreement is the valid and binding act of the Client.

I/We certify to CNB and CNS that all the information on this Agreement is true and correct. I/We authorize CNB to obtain a ChexSystem or other similar report on Client and to report information. I/We authorize CNB to obtain a ChexSystem or other similar consumer report on each of us signing below and to report information. If I ask, CNB will tell me whether a consumer report was ordered and, if one was ordered, the name and address of the consumer reporting agency that furnished it.

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid back up withholding.

SIGN IN BLACK INK ONLY AND ON THE SIGNATURE LINE BELOW

Signature: _____

Name/Title: MICHAEL J AVENATTI / Attorney-Primary

Date: 5/17/17 Place of Signing: NEWPORT BEACH, CA

(City and State)

AUTHORIZED SIGNERS (SIGN IN BLACK INK ONLY AND SIGN IN BOX BELOW)

X _____

Sign Here

Name: MICHAEL J AVENATTI

Title: Attorney-Primary

Restriction/Alias Name/Facsimile: _____

Account Title :
MICHAEL J AVENATTI ESQ. ATTORNEY CLIENT TRUST ACCOUNT

Account Number:
[redacted]3512

X _____
Sign here

Name: JUDY K REGNIER

Title: Authorized Signer

Restriction/Alias Name/Facsimile: _____

Account Title :
MICHAEL J AVENATTI ESQ. ATTORNEY CLIENT TRUST ACCOUNT

Account Number:
[redacted]3512

BANK USE ONLY

Today's Date / Time 5/17/2017 11:39 AM SRB	Opened By Ceci Licea	Opening Deposit $0.00
Supersedes Card Date 5.16.17	Superseded By	
Officer(s): 95[illegible]003		Is the entity doing business in the state the account is opened? **Yes**
Original Opening Date 5.16.17	Reviewed By	
Date Closed	Reason Closed	Type of Business/NAICS Code 541110

ADDITIONAL ACCOUNTS
Client authorizes the following additional accounts:

ACCOUNT INFORMATION		OPENED		REVIEWED BY	DATE CLOSED	CLOSING REASON
TYPE	ACCOUNT NO.	DATE	BY			
[redacted]						

##XXH1309DPCSTM [redacted]

Account #: [redacted]5566

This statement: January 31, 2018
Last statement: December 29, 2017

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830L
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

Legal Services Trust Fund Acct

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(12/29/2017)		$0.00
Minimum balance	$0.00	Deposits	(0)	+ 0.00	
Average balance	$486,047.54	Electronic cr	(1)	+ 1,600,000.00	
Avg. collect bal	$486,047.00	Other credits	(1)	+ 13.18	
Avg. bal for APY	$486,047.54	Total credits			+ $1,600,013.18
APY earned	0.03%	Checks paid	(3)	- 59,500.00	
Interest earned	$13.18	Electronic db	(20)	- 488,899.60	
Interest-bearing days	33	Other debits	(28)	- 835,324.61	
Interest paid YTD	$13.18	Total debits			- $1,383,724.21
		Ending balance	(1/31/2018)		$216,288.97

ELECTRONIC CREDITS

Date	Description	Credits	Control Number
1-5	Incoming Wire-Dom	1,600,000.00	180105000006073

OTHER CREDITS

Date	Description	Reference	Credits	Control Number
1-31	Interest Credit		13.18	000000000000000

CHECKS PAID

Number	Date	Amount	Control
6072	01-12	25,500.00	000008100088000
6078 *	01-23	30,000.00	000008020078600
6080 *	01-23	4,000.00	000008020078800

* Skip in check sequence

##XXH1309DPCSTM [redacted]

MICHAEL J AVENATTI
January 31, 2018

ELECTRONIC DEBITS

Date	Description	Debits	Control Number
1-8	Tnet Wire Out-Dom	16,146.64	180108000004107
1-8	Tnet Wire Out-Dom	41,884.67	180108000003985
1-9	Tnet Wire Out-Dom	30,000.00	180109000001852
1-9	Tnet Wire Out-Dom	30,000.00	180109000005252
1-10	Tnet Wire Out-Dom	17,000.00	180110000005042
1-10	Tnet Wire Out-Dom	60,000.00	180110000002195
1-10	Wire Tsfr Debit	27,000.00	180110000005871
1-12	Tnet Wire Out-Dom	13,121.00	180112000008794
1-16	Tnet Wire Out-Dom	10,588.74	180116000007078
1-17	Tnet Wire Out-Dom	10,000.00	180117000002065
1-18	Tnet Wire Out-Dom	24,959.00	180118000002106
1-24	Tnet Wire Out-Dom	44,791.45	180124000004142
1-24	Tnet Wire Out-Dom	50,000.00	180124000002099
1-25	Tnet Wire Out-Dom	8,652.00	180125000005134
1-25	Tnet Wire Out-Dom	19,956.00	180125000004728
1-29	Tnet Wire Out-Dom	21,321.07	180129000004095
1-30	Tnet Wire Out-Dom	11,267.79	180130000002811
1-30	Tnet Wire Out-Dom	11,343.81	180130000002795
1-31	Tnet Wire Out-Dom	3,867.43	180131000010086
1-31	Tnet Wire Out-Dom	37,000.00	180131000010088

OTHER DEBITS

Date	Description	Reference	Debits	Control Number
1-5	Service Charge INCOMING WIRE-DOM		15.00	000000000000000
1-8	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-8	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-8	Debit Memo		617,840.44	000008050028400
1-9	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-9	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-10	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-10	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-10	Service Charge WIRE TSFR DEBIT		5.00	000000000000000
1-11	Debit Memo	[redacted]5566	2,209.77	000008130036400
1-11	Debit Memo	[redacted]5566	111,113.22	000008080045600
1-12	Account Transfer Dr. TO ACC [redacted]		100,000.00	238000112115349
1-12	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-16	Account Transfer Dr. TO ACC 00270143504		1,900.00	238000115122656
1-16	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-17	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-18	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000

##XXH1309DPCSTM [redacted]5566

MICHAEL J AVENATTI
January 31, 2018

Account #: [redacted]5566

OTHER DEBITS (Continued)

Date	Description	Reference	Debits	Control Number
1-24	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-24	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-25	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-25	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-29	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-30	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-30	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-31	Account Transfer Dr. TO ACC [redacted]3504		2,000.00	238000131145440
1-31	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-31	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
1-31	Interest Transfer TO ACCOUNT NO 0001338897		13.18	000000000000000

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
12-29	.00	01-12	508,080.26	01-25	303,149.07
01-05	1,599,985.00	01-16	495,579.52	01-29	281,816.00
01-08	924,089.25	01-17	485,567.52	01-30	259,180.40
01-09	864,065.25	01-18	460,596.52	01-31	216,288.97
01-10	760,036.25	01-23	426,596.52		
01-11	646,713.26	01-24	331,781.07		

##XXH1309DPCSTM [redacted]

Page 1 (1)

Account #: [redacted]5566

This statement: February 28, 2018
Last statement: January 31, 2018

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830L
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

IMPORTANT NOTICE: WE WANT TO MAKE YOU AWARE OF A NEW FEDERAL REQUIREMENT THAT WILL IMPACT BUSINESS ACCOUNT OPENINGS. IN ORDER TO PREPARE FOR THIS REGULATORY CHANGE, EFFECTIVE MARCH 1, 2018, CITY NATIONAL BANK WILL MAKE CHANGES TO ITS ACCOUNT OPENING PROCESS. FOR MORE INFORMATION GO TO WWW.CNB.COM/BENEFICIALOWNERSHIP OR CONTACT YOUR RELATIONSHIP MANAGER OR BANKER.

Legal Services Trust Fund Acct

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(1/31/2018)		$216,288.97
Minimum balance	$19,621.73	Deposits	(0)	+ 0.00	
Average balance	$94,105.61	Electronic cr	(0)	+ 0.00	
Avg. collect bal	$94,105.00	Other credits	(1)	+ 2.17	
Avg. bal for APY	$94,105.61	Total credits			+ $2.17
APY earned	0.03%	Checks paid	(1)	- 43,000.00	
Interest earned	$2.17	Electronic db	(6)	- 149,795.24	
Interest-bearing days	28	Other debits	(9)	- 3,874.17	
Interest paid YTD	$15.35	Total debits			- $196,669.41
		Ending balance	(2/28/2018)		$19,621.73

OTHER CREDITS

Date	Description	Reference	Credits	Control Number
2-28	Interest Credit		2.17	000000000000000

CHECKS PAID

Number	Date	Amount	Control
6092	02-14	43,000.00	000008100069800

##XXH1309DPCSTM [redacted]5566

MICHAEL J AVENATTI
February 28, 2018

ELECTRONIC DEBITS

Date	Description	Debits	Control Number
2-5	Tnet Wire Out-Dom	10,841.99	180205000004771
2-5	Tnet Wire Out-Dom	14,757.74	180205000004773
2-7	Tnet Wire Out-Dom	40,000.00	180207000002669
2-12	Tnet Wire Out-Dom	10,806.89	180212000006019
2-12	Tnet Wire Out-Dom	27,241.81	180212000006020
2-16	Tnet Wire Out-Dom	46,146.81	180216000006890

OTHER DEBITS

Date	Description	Reference	Debits	Control Number
2-5	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
2-5	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
2-7	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
2-12	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
2-12	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
2-14	Account Transfer Dr. TO ACC[redacted]3504		2,000.00	294000214164706
2-16	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
2-27	Account Transfer Dr. TO ACC [redacted]3504		1,800.00	294000227132045
2-28	Interest Transfer TO ACCOUNT NO[redacted]8897		2.17	000000000000000

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
01-31	216,288.97	02-12	112,580.54	02-27	19,621.73
02-05	190,665.24	02-14	67,580.54	02-28	19,621.73
02-07	150,653.24	02-16	21,421.73		

##XXH1309DPCSTM [redacted]

Account # [redacted]5566

This statement: March 30, 2018
Last statement: February 28, 2018

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830L
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

Legal Services Trust Fund Acct

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(2/28/2018)		$19,621.73
Minimum balance	$609.73	Deposits	(0)	+ 0.00	
Average balance	$5,681.60	Electronic cr	(0)	+ 0.00	
Avg. collect bal	$5,681.00	Other credits	(1)	+ 0.14	
Avg. bal for APY	$5,681.60	Total credits			+ $0.14
APY earned	0.03%	Checks paid	(2)	- 15,000.00	
Interest earned	$0.14	Electronic db	(1)	- 4,000.00	
Interest-bearing days	30	Other debits	(2)	- 12.14	
Interest paid YTD	$15.49	Total debits			- $19,012.14
		Ending balance	(3/30/2018)		$609.73

OTHER CREDITS

Date	Description	Reference	Credits	Control Number
3-30	Interest Credit		.14	000000000000000

CHECKS PAID

Number	Date	Amount	Control
6101	03-07	10,000.00	000008070022800
6109 *	03-09	5,000.00	000008100017700

* Skip in check sequence

ELECTRONIC DEBITS

Date	Description	Debits	Control Number
3-14	Tnet Wire Out-Dom	4,000.00	180314000003842

##XXH1309DPCSTM [redacted]

MICHAEL J AVENATTI
March 30, 2018

OTHER DEBITS

Date	Description	Reference	Debits	Control Number
3-14	Service Charge TNET WIRE OUT-DOM		12.00	000000000000000
3-30	Interest Transfer TO ACCOUNT NO [redacted]8897		.14	000000000000000

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
02-28	19,621.73	03-09	4,621.73	03-30	609.73
03-07	9,621.73	03-14	609.73		

##XXH1309DPCSTM [redacted]5566

Page 1 (0)

Account #: [redacted]5566

This statement: April 30, 2018
Last statement: March 30, 2018

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830N
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

Legal Services Trust Fund Acct

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(3/30/2018)		$609.73
Minimum balance	$509.73	Deposits	(0)	+ 0.00	
Average balance	$571.02	Electronic cr	(0)	+ 0.00	
Avg. collect bal	$571.00	Other credits	(1)	+ 0.01	
Avg. bal for APY	$571.02	Total credits			+ $0.01
APY earned	0.02%	Checks paid	(0)	- 0.00	
Interest earned	$0.01	Electronic db	(0)	- 0.00	
Interest-bearing days	31	Other debits	(2)	- 100.01	
Interest paid YTD	$15.50	Total debits			- $100.01
		Ending balance	(4/30/2018)		$509.73

OTHER CREDITS

Date	Description	Reference	Credits	Control Number
4-30	Interest Credit		.01	000000000000000

OTHER DEBITS

Date	Description	Reference	Debits	Control Number
4-19	Account Transfer Dr. TO ACC[redacted]3504		100.00	238000419083037
4-30	Interest Transfer TO ACCOUNT NO [redacted]897		.01	000000000000000

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
03-30	609.73	04-19	509.73	04-30	509.73

##XXH1309DPCSTM [redacted]5566

Page 1 (0)

Account #: [redacted]5566

This statement: May 31, 2018
Last statement: April 30, 2018

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830N
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

Legal Services Trust Fund Acct

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(4/30/2018)		$509.73
Minimum balance	$509.73	Deposits	(0)	+ 0.00	
Average balance	$509.73	Electronic cr	(0)	+ 0.00	
Avg. collect bal	$509.00	Other credits	(1)	+ 0.02	
Avg. bal for APY	$509.73	Total credits			+ $0.02
APY earned	0.05%	Checks paid	(0)	- 0.00	
Interest earned	$0.02	Electronic db	(0)	- 0.00	
Interest-bearing days	31	Other debits	(1)	- 0.02	
Interest paid YTD	$15.52	Total debits			- $0.02
		Ending balance	(5/31/2018)		$509.73

OTHER CREDITS

Date	Description	Reference	Credits	Control Number
5-31	Interest Credit		.02	000000000000000

OTHER DEBITS

Date	Description	Reference	Debits	Control Number
5-31	Interest Transfer TO ACCOUNT NO [redacted]8897		.02	000000000000000

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
04-30	509.73	05-31	509.73		

##XXH1309DPCSTM [redacted]

Account #: [redacted]5566

This statement: June 29, 2018
Last statement: May 31, 2018

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830N
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

Legal Services Trust Fund Acct

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(5/31/2018)		$509.73
Minimum balance	$509.73	Deposits	(0)	+ 0.00	
Average balance	$509.73	Electronic cr	(0)	+ 0.00	
Avg. collect bal	$509.00	Other credits	(1)	+ 0.01	
Avg. bal for APY	$509.73	Total credits			+ $0.01
APY earned	0.02%	Checks paid	(0)	- 0.00	
Interest earned	$0.01	Electronic db	(0)	- 0.00	
Interest-bearing days	29	Other debits	(1)	- 0.01	
Interest paid YTD	$15.53	Total debits			- $0.01
		Ending balance	(6/29/2018)		$509.73

OTHER CREDITS

Date	Description	Reference	Credits	Control Number
6-29	Interest Credit		.01	000000000000000

OTHER DEBITS

Date	Description	Reference	Debits	Control Number
6-29	Interest Transfer TO ACCOUNT NO [redacted]3897		.01	000000000000000

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
05-31	509.73	06-29	509.73		

##XXH1309DPCSTM [redacted]5566

Page 1 (0)

Account #: [redacted]5566

This statement: July 31, 2018
Last statement: June 29, 2018

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830N
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

Legal Services Trust Fund Acct

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(6/29/2018)		$509.73
Minimum balance	$509.73	Deposits	(0)	+ 0.00	
Average balance	$509.73	Electronic cr	(0)	+ 0.00	
Avg. collect bal	$509.00	Other credits	(1)	+ 0.01	
Avg. bal for APY	$509.73	Total credits			+ $0.01
APY earned	0.02%	Checks paid	(0)	- 0.00	
Interest earned	$0.01	Electronic db	(0)	- 0.00	
Interest-bearing days	32	Other debits	(1)	- 0.01	
Interest paid YTD	$15.54	Total debits			- $0.01
		Ending balance	(7/31/2018)		$509.73

OTHER CREDITS

Date	Description	Reference	Credits	Control Number
7-31	Interest Credit		.01	000000000000000

OTHER DEBITS

Date	Description	Reference	Debits	Control Number
7-31	Interest Transfer TO ACCOUNT NO [redacted]8897		.01	000000000000000

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
06-29	509.73	07-31	509.73		

##XXH1309DPCSTM 083[redacted]

Page 1 (0)

Account #: [redacted]5566

This statement: August 31, 2018
Last statement: July 31, 2018

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830N
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

Legal Services Trust Fund Acct

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(7/31/2018)		$509.73
Minimum balance	$509.73	Deposits	(0)	+ 0.00	
Average balance	$509.73	Electronic cr	(0)	+ 0.00	
Avg. collect bal	$509.00	Other credits	(1)	+ 0.01	
Avg. bal for APY	$509.73	Total credits			+ $0.01
APY earned	0.02%	Checks paid	(0)	- 0.00	
Interest earned	$0.01	Electronic db	(0)	- 0.00	
Interest-bearing days	31	Other debits	(1)	- 0.01	
Interest paid YTD	$15.55	Total debits			- $0.01
		Ending balance	(8/31/2018)		$509.73

OTHER CREDITS

Date	Description	Reference	Credits	Control Number
8-31	Interest Credit		.01	000000000000000

OTHER DEBITS

Date	Description	Reference	Debits	Control Number
8-31	Interest Transfer TO ACCOUNT NO [redacted]8897		.01	000000000000000

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
07-31	509.73	08-31	509.73		

##XXH1309DPCSTM [redacted]5566

Page 1 (0)

Account #: [redacted]5566

This statement: September 28, 2018
Last statement: August 31, 2018

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830N
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

Legal Services Trst Fund

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(8/31/2018)		$509.73
Minimum balance	$509.73	Deposits	(0)	+ 0.00	
Average balance	$509.73	Electronic cr	(0)	+ 0.00	
Avg. collect bal	$509.00	Other credits	(1)	+ 0.07	
Avg. bal for APY	$509.73	Total credits			+ $0.07
APY earned	0.18%	Checks paid	(0)	- 0.00	
Interest earned	$0.07	Electronic db	(0)	- 0.00	
Interest-bearing days	28	Other debits	(1)	- 0.07	
Interest paid YTD	$15.62	Total debits			- $0.07
		Ending balance	(9/28/2018)		$509.73

OTHER CREDITS

Date	Description	Reference	Credits	Control Number
9-28	Interest Credit		.07	000000000000000

OTHER DEBITS

Date	Description	Reference	Debits	Control Number
9-28	Interest Transfer TO ACCOUNT NO [redacted]8897		.07	000000000000000

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
08-31	509.73	09-28	509.73		

##XXH1309DPCSTM [redacted]5566

Page 1 (0)

Account #: [redacted]5566

This statement: October 31, 2018
Last statement: September 28, 2018

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830N
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

EFFECTIVE 9/4/18, THE IOLTA INTEREST RATE HAS INCREASED TO EQUAL THE CNB LADDER BUSINESS MONEY MARKET ACCOUNT RATE, WITH NO MONTHLY FEE DEDUCTED FROM INTEREST PAID TO THE STATE BAR LEGAL SERVICES TRUST FUND PROGRAM. EFFECTIVE 11/01/18, A HIGHER-PAYING INVESTMENT SWEEP OPTION IS AVAILABLE FOR EXCESS IOLTA BALANCES. NOT FDIC INSURED, NOT BANK GUARANTEED, MAY LOSE VALUE. CONTACT YOUR RELATIONSHIP MANAGER FOR MORE INFORMATION.

Legal Services Trst Fund

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(9/28/2018)		$509.73
Minimum balance	$9.73	Deposits	(0)	+ 0.00	
Average balance	$418.82	Electronic cr	(0)	+ 0.00	
Avg. collect bal	$418.00	Other credits	(1)	+ 0.09	
Avg. bal for APY	$418.82	Total credits			+ $0.09
APY earned	0.24%	Checks paid	(0)	- 0.00	
Interest earned	$0.09	Electronic db	(0)	- 0.00	
Interest-bearing days	33	Other debits	(2)	- 500.09	
Interest paid YTD	$15.71	Total debits			- $500.09
		Ending balance	(10/31/2018)		$9.73

OTHER CREDITS

Date	Description	Reference	Credits	Control Number
10-31	Interest Credit		.09	000000000000000

OTHER DEBITS

Date	Description	Reference	Debits	Control Number
10-26	Account Transfer Dr. TO ACC [redacted]3504		500.00	294001026120801
10-31	Interest Transfer TO ACCOUNT NO [redacted]8897		.09	000000000000000

##XXH1309DPCSTM [redacted]5566

MICHAEL J AVENATTI
October 31, 2018

Account #: [redacted]5566

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
09-28	509.73	10-26	9.73	10-31	9.73

##XXH1309DPCSTM [redacted]5566

Page 1 (0)

Account #: [redacted]5566

This statement: November 30, 2018
Last statement: October 31, 2018

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830N
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

Legal Services Trst Fund

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(10/31/2018)		$9.73
Minimum balance	$9.73	Credits		+ $0.00	
Average balance	$9.73	Debits		- $0.00	
Avg. collect bal	$9.00	Ending balance	(11/30/2018)		$9.73
Avg. bal for APY	$9.73				
APY earned	0.00%				
Interest earned	$0.00				
Interest-bearing days	30				
Interest paid YTD	$15.71				

** No activity this statement period **

##XXH1309DPCSTM [redacted]

Page 1 (0)

Account #: [redacted]5566

This statement: December 31, 2018
Last statement: November 30, 2018

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830N
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

Legal Services Trst Fund

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(11/30/2018)		$9.73
Minimum balance	$9.73	Deposits	(0)	+ 0.00	
Average balance	$9.73	Electronic cr	(0)	+ 0.00	
Avg. collect bal	$9.00	Other credits	(1)	+ 0.01	
Avg. bal for APY	$9.73	Total credits			+ $0.01
APY earned	1.22%	Checks paid	(0)	- 0.00	
Interest earned	$0.01	Electronic db	(0)	- 0.00	
Interest-bearing days	31	Other debits	(1)	- 0.01	
Interest paid YTD	$15.72	Total debits			- $0.01
		Ending balance	(12/31/2018)		$9.73

OTHER CREDITS

Date	Description	Reference	Credits	Control Number
12-31	Interest Credit		.01	000000000000000

OTHER DEBITS

Date	Description	Reference	Debits	Control Number
12-31	Interest Transfer TO ACCOUNT NO [redacted]8897		.01	000000000000000

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
11-30	9.73	12-31	9.73		

##XXH1309DPCSTM [redacted]5566

Page 1 (0)

Account #: [redacted]5566

This statement: January 31, 2019
Last statement: December 31, 2018

Contact us:
800 773-7100

Newport Center Office
500 Newport Center Drive
Newport Beach, CA 92660

cnb.com

270 0830N
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
(BAR SETTLEMENT)
1910 SUNSET BLVD SUITE 450
LOS ANGELES CA 90026

Legal Services Trst Fund

Account Summary		Account Activity			
Account number	[redacted]5566	Beginning bal	(12/31/2018)		$9.73
Minimum balance	$0.00	Credits		+ $0.00	
Average balance	$4.39	Checks paid	(0)	- 0.00	
Avg. collect bal	$4.00	Electronic db	(0)	- 0.00	
Avg. bal for APY	$4.39	Other debits	(1)	- 9.73	
APY earned	0.00%	Total debits			- $9.73
Interest earned	$0.00	Ending balance	(1/31/2019)		$0.00
Interest-bearing days	31				
Interest paid YTD	$0.00				

OTHER DEBITS

Date	Description	Reference	Debits	Control Number
1-15	Legal Process Debit		9.73	638000115145621

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
12-31	9.73	01-15	.00		

CITY NATIONAL BANK
A RBC COMPANY

Branch: 270 *Date:* 01/08/2018

We Debited Your	ACCOUNT NUMBER	AMOUNT	WE ENCLOSE CASHIER'S CK #
Checking Acct.	[redacted]566	$ 617,840.44	30414942

REASON:
Purchase of Cashier's Check payable to Edward Ricci per e mail from Judy Regnier 1/8/18

MICHAEL AVENATTI , ESQ
520 NEWPORT CENTER DRIVE STE 1400
NEWPORT BEACH, CA 92660

PREPARED BY: DIANNA APPELL
APPROVED BY: STEPHEN REAGAN
Bank Copy – Include with processed transaction

270145566 122016066 [redacted]5566 829 617,840.44

ID 18120E (Rev 09/2013)

Date:20180108 Check:0 Account:[redacted]5566 Amount:617840.44

Date:20180108 Check:0 Account:[redacted]5566 Amount:617840.44

CITY NATIONAL BANK
A RBC COMPANY

Branch: 270 *Date:* 01/11/2018

We Debited Your	ACCOUNT NUMBER	AMOUNT	WE ENCLOSE CASHIER'S CK #
Checking Acct.	[redacted]5566	$ 111,113.22	

REASON:
Purchase of Cashier's Check(s)

MICHAEL J AVENATTI
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH, CA 92660

PREPARED BY: VASKA ALEXANDER
APPROVED BY: STEPHEN REAGAN
Bank Copy – Include with processed transaction

270145566 122016066 [redacted]5566 829 111,113.22

ID 18120E (Rev 09/2013)

Date:20180111 Check:[redacted]5566 Account:[redacted]5566 Amount:111113.22

Date:20180111 Check:[redacted]5566 Accoun[redacted]5566 Amount:111113.22

CITY NATIONAL BANK
A RBC COMPANY

Branch: 270 *Date:* 01/11/2018

We Debited Your	ACCOUNT NUMBER	AMOUNT	WE ENCLOSE CASHIER'S CK #
Checking Acct.	[redacted]66	$ 2,209.77	

REASON:
Purchase of Cashier's Check(s)

MICHAEL J AVENATTI
520 NEWPORT CENTER DRIVE SUITE 1400
NEWPORT BEACH, CA 92660

PREPARED BY: VASKA ALEXANDER
APPROVED BY: STEPHEN REAGAN
Bank Copy – Include with processed transaction

270145566 122016066 [redacted]5566 829 2,209.77

ID 18120E (Rev 09/2013)

Date:20180111 Check:[redacted]5566 Account:[redacted]5566 Amount:2209.77

Date:20180111 Check:[redacted]5566 Account:[redacted]5566 Amount:2209.77

Name Michael Avenatti Trust
Account No. [redacted]5566

COUNTER CHECK
16-1606/1220

1/12/18 DATE

PAY TO THE ORDER OF Global Banistas US $ 25,500-
Twenty five thousand five hundred & 00/100 DOLLARS

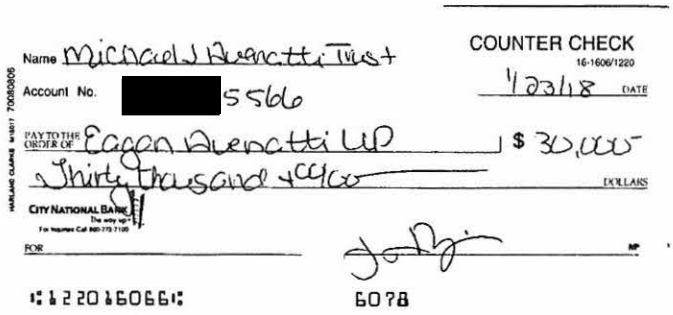
CITY NATIONAL BANK
The way right
For Inquiries Call 800-773-7100

FOR

⑆122016066⑆ 6072

Date:20180112 Check:6072 Account:[redacted]5566 Amount:25500.00

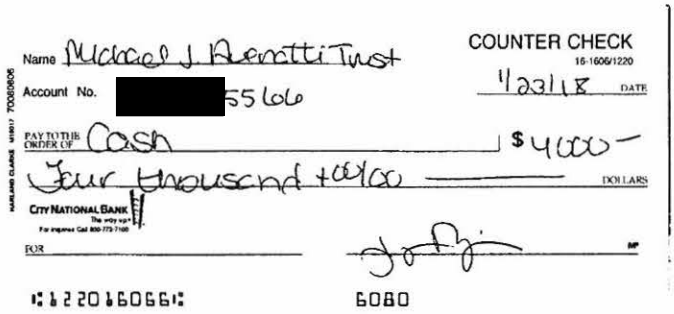
Date:20180112 Check:6072 Account:[redacted]5566 Amount:25500.00


Name Michael J Avenatti Trust
COUNTER CHECK
16-1606/1220
Account No. [redacted]5566
1/23/18 DATE
PAY TO THE ORDER OF Eagan Avenatti LLP $ 30,000-
Thirty thousand +00/00 DOLLARS
CITY NATIONAL BANK
FOR
⑆122016066⑆ 6078

TR:10 ID:270-6 01/23/18 09:22 AM%
[redacted]66 On Us Chk $30,000.00
Check: 6078

Date:20180123 Check:6078 Account:[redacted]5566 Amount:30000.00

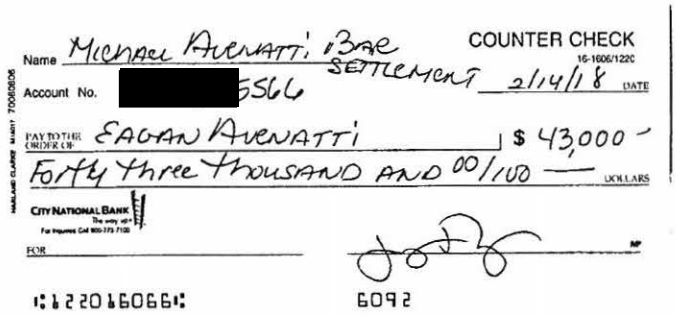
Date:20180123 Check:6078 Account:[redacted]5566 Amount:30000.00


Name Michael J. Avenatti Trust
COUNTER CHECK
16-1606/1220
Account No. [redacted]5566
1/23/18 DATE
PAY TO THE ORDER OF Cash $ 4000-
Four thousand +00/00 DOLLARS
CITY NATIONAL BANK
FOR
⑆122016066⑆ 6080

TR:12 ID:270-6 01/23/18 09:26 AM%
[redacted]566 On Us Chk $4,000.00
Check: 6080

Date:20180123 Check:6080 Account:[redacted]5566 Amount:4000.00

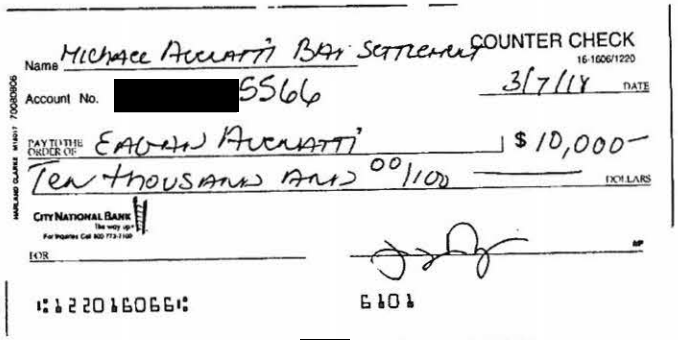
Date:20180123 Check:6080 Account:[redacted]5566 Amount:4000.00


Name Michael Avenatti; BAR SETTLEMENT
COUNTER CHECK
16-1606/1220
Account No. [redacted]5566
2/14/18 DATE
PAY TO THE ORDER OF EAGAN AVENATTI $ 43,000-
Forty three thousand and 00/100 DOLLARS
CITY NATIONAL BANK
FOR
⑆122016066⑆ 6092

TR:24 ID:270-6 02/14/18 02:27 PM%
[redacted]566 On Us Chk $43,000.00
Check: 6092

Date:20180214 Check:6092 Account:[redacted]5566 Amount:43000.00

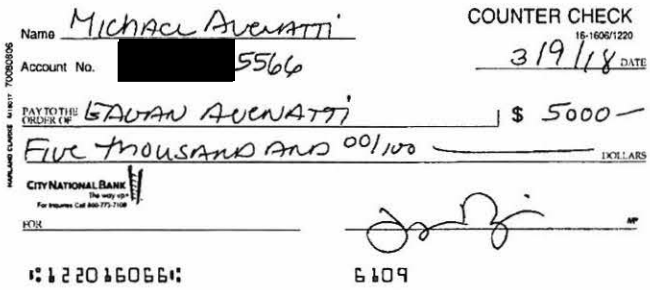
Date:20180214 Check:6092 Account:[redacted]5566 Amount:43000.00


Name Michael Avenatti BAR SETTLEMENT
COUNTER CHECK
16-1606/1220
Account No. [redacted]5566
3/7/18 DATE
PAY TO THE ORDER OF EAGAN AVENATTI $ 10,000-
Ten thousand and 00/100 DOLLARS
CITY NATIONAL BANK
FOR
⑆122016066⑆ 6101

TR:4 ID:270-6 03/07/18 09:24 AM%
[redacted]566 On Us Chk $10,000.00
Check: 6101

Date:20180307 Check:6101 Account:[redacted]5566 Amount:10000.00

Date:20180307 Check:6101 Account:[redacted]5566 Amount:10000.00



Name MICHAEL AVENATTI

Account No. [redacted]5566

COUNTER CHECK

16-1606/1220

3/9/18 DATE

PAY TO THE ORDER OF GAYTAN AVENATTI $ 5000—

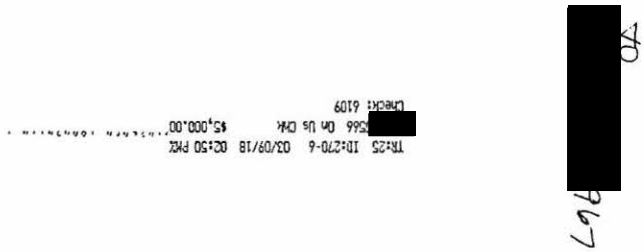
FIVE THOUSAND AND 00/100 DOLLARS

CITY NATIONAL BANK

FOR

⑆122016066⑆ 6109

Date:20180309 Check:6109 Account:[redacted]5566 Amount:5000.00



Check 6109 [redacted]566 On Us Chk $5,000.00

TR:25 ID:270-6 03/09/18 02:50 PKC

Date:20180309 Check:6109 Account:[redacted]5566 Amount:5000.00

BNK: CNB **SND DATE:** 180105 **VAL:** 180105 **TRN:** 180105-00006073
AMT: $1,600,000.00 **CUR:** USD **FOR AMT:** 1,600,000.00
SRC: FED **ADV:** LTR **TYP:** FTR **LOC:** **CHECK NUM:**

DBT: A/121140399
ACC: C[redacted]8287 **ON FILE:** N
DEPT: 098 **CTRY:**
SILICON VALLEY BANK
SANTA CLARA, CA

SEND:
SNDR REF NUM: 20180051122100

ORIG: /3300963331
[redacted]
REF NUM:

CDT: D/270145566
ACC: D/[redacted]5566 **ON FILE:** Y
DEPT: 270 **CTRY:**
MICHAEL J AVENATTI
ATTORNEY CLIENT TRUST ACCOUNT
520 NEWPORT CENTER DR SUITE 1400
NEWPORT BEACH CA 92660

BNF: **BK:** N

ORIG TO BNF INFO:
BROCK USA 2018 SETTLEMENT PAYMENT

Outgoing Wires

Bank ID	Debit Account	Debit Party Name	Credit Account	Credit Party Name	Originator	Beneficiary	Tran Date	Tran Num	Amount
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	KITSAP BANK		Dillanos Coffee Roasters	20180108	3985	41884.67
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	US BANK, NA		Miller Nash Graham & Dunn LLP	20180108	4107	16146.64
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	SUNTRUST BANK		James R. Gailey & Associates P.A.	20180109	5252	30000
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	BANK OF AMERICA, N.A., NY		Burke Contracting LLC	20180109	1852	30000
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	ZB NA DBA CALIFORNIA BANK & TRUST		Eagan Avenatti Trust Account	20180110	2195	60000
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]1	DENNIS N BRAGER A PROF CORP DBA			20180110	5871	27000
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	ZB NA DBA CALIFORNIA BANK & TRUST		Richard Beada	20180110	5042	17000
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	UMPQUA BANK		G & M Hollywood LLC	20180112	8794	13121
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	KEYBANK NATIONAL ASSOCIATION		Alki Bakery	20180116	7078	10588.74
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	ZB NA DBA CALIFORNIA BANK & TRUST		Global Baristas LLC	20180117	2065	10000
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	KITSAP BANK		Dillanos Coffee Roasters	20180118	2106	24959
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	ZB NA DBA CALIFORNIA BANK & TRUST		Eagan Avenatti LLP Trust	20180124	2099	50000
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	WELLS FARGO BANK		TD Ameritrade Clearing, Inc. Accoun	20180124	4142	44791.45
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	PACIFIC CONTINENTAL BANK		AssuredPartners of Washington LLC	20180125	4728	19956
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	PACIFIC CONTINENTAL BANK		AssuredPartners of Washington LLC	20180125	5134	8652
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	CHASE MANHATTAN BANK		NATIONWIDE LEGAL LLC	20180129	4095	21321.07
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	KITSAP BANK		Dillanos Coffee Roasters	20180130	2795	11343.81
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	KEYBANK NATIONAL ASSOCIATION		Alki Bakery	20180130	2811	11267.79
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	WELLS FARGO BANK		Coblentz Patch Duffy & Bass LLP	20180131	10088	37000
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	BANK OF AMERICA, N.A., NY		Judy Kay Regnier	20180131	10086	3867.43
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	KITSAP BANK		Dillanos Coffee Roasters	20180205	4773	14757.74
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	KEYBANK NATIONAL ASSOCIATION		Alki Bakery	20180205	4771	10841.99
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	ZB NA DBA CALIFORNIA BANK & TRUST		Eagan Avenatti LLP Trust	20180207	2669	40000
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	KITSAP BANK		Dillanos Coffee Roasters	20180212	6020	27241.81
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	KEYBANK NATIONAL ASSOCIATION		Alki Bakery	20180212	6019	10806.89
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	JPMORGAN CHASE BANK, NA		The X-Law Group PC	20180216	6890	46146.81
CNB	D/[redacted]5566	MICHAEL J AVENATTI	[redacted]8287	ZB NA DBA CALIFORNIA BANK & TRUST		Global Baristas, LLC	20180314	3842	4000

REGISTER COPY

CASHIER'S CHECK

30414948

CITY NATIONAL BANK
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For Inquiries Call 800-773-7100

16-1606
1220

DATE [illegible] $ 25,500-

PAYABLE TO [illegible]

$ [illegible]

PAY TWENTY FIVE THOUSAND FIVE HUNDRED DOLLARS AND .00 CENTS

TR:3 270 01/12/18 10:10 AM
27014 CASH TK $25,500.00
OFFICER INITIALS/SIGNATURE

Two signatures required over $50,000

NON NEGOTIABLE

OFFICER SIGNATURE

⑈30414948⑈ [redacted] 1844⑈ 600

Date:20180112 Check:30414948 Account[redacted]1844 Amount:25500.00

BANK USE ONLY

FUNDS RECEIVED		
CASH		
CHK ON 16-1606	25500	-
CHK ON		
CHK ON		
(A) TOTAL RECD	25500	-
COSTS		
TOTAL CHKS ISSUED	25500	-
BANK CHARGES	-0-	
(B) TOTAL COSTS	25500	-
(A-B) LESS CASH TO CUSTOMER	-0-	

PURCHASER: Judy Reonier for Michael Arcuatti APPLICATION
STREET ADDRESS: 520 Newport Center Dr Ste 1400
CITY, STATE, ZIP: Newport Beach, CA 92660
SIGNATURE: X

ACCT [redacted]5566

CUSTOMER SIGN HERE FOR RET'D CASH

Date:20180112 Check:30414948 Account[redacted]1844 Amount:25500.00

COUNTER CHECK

16-1606/1220

Name Michael Arcuatti, Trust

Account No. [redacted]5566

1/12/18 DATE

PAY TO THE ORDER OF Global Banstas US $ 25,500-

Twenty five thousand five hundred & 00/100 DOLLARS

CITY NATIONAL BANK
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FOR

⑆122016066⑆ 6072

HARLAND CLARKE M18017 70060806

Date:20180112 Check:6072 Account:[redacted]5566 Amount:25500.00

[redacted]

Check: 6072
[redacted]66 On Us Chk $25,500.00
TR:2 ID:270-6 01/12/18 10:07 AM

Date:20180112 Check:6072 Account:[redacted]5566 Amount:25500.00

REGISTER COPY

CASHIER'S CHECK

CITY NATIONAL BANK
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30414953

16-1606
1220

DATE

30,000-

PAYABLE TO

$

PAY

TR:11 270-6 01/23/18 09:24 AM
OFFICER INITIAL/SIGNATURE

Two signatures required over $50,000

NON NEGOTIABLE

OFFICER SIGNATURE

⑈30414953⑈ ⑆[redacted]1844⑈ 600

Date:20180123 Check:30414953 Accou[redacted]1844 Amount:30000.00

BANK USE ONLY

	FUNDS RECEIVED	
	CASH	
	CHK ON 16-1606	30,000-
	CHK ON	
	CHK ON	
(A)	TOTAL RECD	30000 —
	COSTS	
	TOTAL CHKS ISSUED	30,000 —
	BANK CHARGES	-0
(B)	TOTAL COSTS	30,000 —
(A-B)	LESS CASH TO CUSTOMER	-0

PURCHASER
Judy Reznier for Michael Avenatti

APPLICATION

STREET ADDRESS
520 Newport Center Dr #1400

CITY, STATE, ZIP
Newport Beach CA 92660

SIGNATURE

ACCT [redacted]5566

CUSTOMER SIGN HERE FOR RET'D CASH

Date:20180123 Check:30414953 Accou[redacted]1844 Amount:30000.00

COUNTER CHECK
16-1606/1220

Name Michael J Avenatti Trust

Account No. [redacted]5566

1/23/18 DATE

PAY TO THE ORDER OF Eagan Avenatti LLP $ 30,000-

Thirty thousand +00/00 DOLLARS

CITY NATIONAL BANK
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FOR

MP

HARLAND CLARKE M16017 70080606

⑆122016066⑆ 6078

Date:20180123 Check:6078 Account:[redacted]5566 Amount:30000.00

TR:10 ID:270-6 01/23/18 09:22 AM%
[redacted]5566 On Us Chk $30,000.00
Check: 6078

Date:20180123 Check:6078 Account:[redacted]5566 Amount:30000.00

REGISTER COPY

CASHIER'S CHECK

30414962

CITY NATIONAL BANK
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16-1606
1220

DATE $43,000

PAYABLE TO $

PAY

NON NEGOTIABLE

Two signatures required over $50,000

⑈30414962⑈ ⑆[redacted]⑆1844⑈ 600

Date:20180214 Check:30414962 Account:[redacted]1844 Amount:43000.00

BANK USE ONLY

FUNDS RECEIVED	
CASH	
CHK ON 16-1606	43,000
CHK ON	
CHK ON	
TOTAL RECEIVED	43,000
COSTS	
TOTAL CHKS ISSUED	43,000
BANK CHARGES	0
(B) TOTAL COSTS	43,000
(A-B) LESS CASH TO CUSTOMER	0

PURCHASER: JUDY REGNIER

STREET ADDRESS: 520 Newport Ctr Dr #1400

CITY, STATE, ZIP: Newport Beach, CA 92660

SIGNATURE

APPLICATION

A[redacted]5564

CUSTOMER SIGN HERE FOR RET'D CASH

Date:20180214 Check:30414962 Account:[redacted]1844 Amount:43000.00

COUNTER CHECK

16-1606/1220

Name Michael Avenatti, Bar Settlement

Account No. [redacted]5566

DATE 2/14/18

PAY TO THE ORDER OF EAGAN AVENATTI $ 43,000 —

Forty Three Thousand and 00/100 — DOLLARS

CITY NATIONAL BANK
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For Inquiries Call 800-773-7100

FOR

MP

HARLAND CLARKE 8/18/17 70080806

⑆122016066⑆ 6092

Date:20180214 Check:6092 Account:[redacted]5566 Amount:43000.00

TR:24 ID:270-6 02/14/18 02:27 PM%

[redacted]566 On Us Chk $43,000.00

Check: 6092

[redacted]

30414962

Date:20180214 Check:6092 Account:[redacted]5566 Amount:43000.00

REGISTER COPY

CASHIER'S CHECK

30414965

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16-1606
1220

DATE $10,000-

PAYABLE TO $

PAY TEN THOUSAND DOLLARS AND 00 CENTS

TR:5 270 03/07/18 09:36 AM
27014523 Cash Ck $10,000.00
OFFICER INITIAL/SIGNATURE

NON NEGOTIABLE

Two signatures required over $50,000 OFFICER SIGNATURE

⑈30414965⑈ [redacted] 844⑈ 600

Date:20180307 Check:30414965 Account[redacted]844 Amount:10000.00

BANK USE ONLY

FUNDS RECEIVED		
CASH		
CHK ON 16-1606	10,000	00
CHK ON		
CHK ON		
(A) TOTAL REC'D	10,000	00
COSTS		
TOTAL CHKS ISSUED	10,000	00
BANK CHARGES	0	00
(B) TOTAL COSTS	10,000	
(A-B) LESS CASH TO CUSTOMER	10,000	00

0
no cash rec'd

PURCHASER
Judy Keorner

APPLICATION

STREET ADDRESS
520 Newport Center Dr 1400

CITY, STATE, ZIP
Newport Beach, CA 92660

SIGNATURE
Judy Keorner

Michael Avvatti's office

ACCT [redacted] 5566

CUSTOMER SIGN HERE FOR RET'D CASH

Date:20180307 Check:30414965 Account:[redacted]844 Amount:10000.00

Name Michael Avvatti BAI Settlement

COUNTER CHECK
16-1606/1220

Account No. [redacted]5566

3/7/18 DATE

PAY TO THE ORDER OF Eagan Avvatti $10,000-

Ten thousand and 00/100 DOLLARS

CITY NATIONAL BANK
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For Inquiries Call 800-773-7100

FOR

⑆122016066⑆ 6101

HARLAND CLARKE M18017 7008306

Date:20180307 Check:6101 Account:[redacted]5566 Amount:10000.00

6101

[redacted]

TR:4 ID:270-6 03/07/18 09:34 AM
[redacted]566 On Us Chk $10,000.00
Check: 6101

Date:20180307 Check:6101 Account:[redacted]5566 Amount:10000.00

REGISTER COPY

CASHIER'S CHECK

30414967

CITY NATIONAL BANK
The way up.
For Inquiries Call 800-773-7100

16-1606
1220

DATE

$5000-

PAYABLE TO

$

PAY FIFTY THOUSAND DOLLARS AND ZERO CENTS

TR:26 03/09/18 02:50 PM
OFFICER NUMBER/SIGNATURE $5,000.00

Two signatures required over $50,000

NON NEGOTIABLE

OFFICER SIGNATURE

⑈30414967⑈ [redacted] 1844⑈ 600

Date:20180309 Check:30414967 Account[redacted]844 Amount:5000.00

BANK USE ONLY

	FUNDS RECEIVED	
	CASH	
	CHK ON 16/1606	5000-
	CHK ON	
	CHK ON	
(A)	TOTAL RECD	5000-
	COSTS	
	TOTAL CHKS ISSUED	5000-
	BANK CHARGES	0
(B)	TOTAL COSTS	5000-
(A-B)	LESS CASH TO CUSTOMER	0

PURCHASER
Judy Regnier

STREET ADDRESS
520 Newport Ctr Dr Ste 1400

CITY, STATE, ZIP
Newport Beach, CA 92660

SIGNATURE

APPLICATION

ACCT [redacted]5566

CUSTOMER SIGN HERE FOR RET'D CASH

Date:20180309 Check:30414967 Accou[redacted]1844 Amount:5000.00

COUNTER CHECK

Name MICHAEL AVENATTI'

16-1606/1220

Account No. [redacted]5566

3/9/18 DATE

PAY TO THE ORDER OF GAVAN AVENATTI' $ 5000-

FIVE THOUSAND AND 00/100 DOLLARS

CITY NATIONAL BANK
The way up.
For Inquiries Call 800-773-7100

FOR

MP

⑆122016066⑆ 6109

HARLAND CLARKE M18017 70080806

Date:20180309 Check:6109 Account:[redacted]5566 Amount:5000.00

6109

[redacted]

TR:25 ID:270-6 03/09/18 02:50 PM2
[redacted]566 On Us Chk $5,000.00
Check: 6109

Date:20180309 Check:6109 Account:[redacted]5566 Amount:5000.00

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EXHIBIT 2

Post Date	CHK#	Stmt Period	Payee	Memo	Dep Source	Debit	Credit	Srv Chg	CTA Balance
									$0.00
		12/29/17-01/31/18							$0.00
01/05/18			incoming wire		Brock USA		1,600,000.00		$1,600,000.00
01/05/18			incoming wire service charge					15.00	$1,599,985.00
01/08/18			outgoing wire	Miller Nash Graham & Dunn LLP		16,146.64			$1,583,838.36
01/08/18			outgoing wire	Dillanos Coffee Roasters		41,884.67			$1,541,953.69
01/08/18			outgoing wire service charge					12.00	$1,541,941.69
01/08/18			outgoing wire service charge					12.00	$1,541,929.69
01/08/18			debit memo	purchase of Cashier's Check payable to Edward Ricci per email from Judy Regnier		617,840.44			$924,089.25
01/09/18			outgoing wire	James R. Gailey & Associates P.A.		30,000.00			$894,089.25
01/09/18			outgoing wire	Burke Contracting LLC		30,000.00			$864,089.25
01/09/18			outgoing wire service charge					12.00	$864,077.25
01/09/18			outgoing wire service charge					12.00	$864,065.25
01/10/18			outgoing wire	Richard Beada		17,000.00			$847,065.25
01/10/18			outgoing wire	Eagan Avenatti Trust Account		60,000.00			$787,065.25
01/10/18			wire transfer debit	Dennis N. Brager A Prof Corp		27,000.00			$760,065.25
01/10/18			outgoing wire service charge					12.00	$760,053.25
01/10/18			outgoing wire service charge					12.00	$760,041.25
01/10/18			wire transfer debit service charge			5.00			$760,036.25
01/11/18			debit memo	purchase of Cashier's Check		2,209.77			$757,826.48
01/11/18			debit memo	purchase of Cashier's Check		111,113.22			$646,713.26
01/12/18	6072		Global Baristas US			25,500.00			$621,213.26
01/12/18			outgoing wire	G & M Hollywood LLC		13,121.00			$608,092.26
01/12/18			transfer to acct #3504			100,000.00			$508,092.26
01/12/18			outgoing wire service charge					12.00	$508,080.26
01/16/18			outgoing wire	Alki Bakery		10,588.74			$497,491.52
01/16/18			transfer to acct #3504			1,900.00			$495,591.52
01/16/18			outgoing wire service charge					12.00	$495,579.52
01/17/18			outgoing wire	Global Baristas LLC		10,000.00			$485,579.52
01/17/18			outgoing wire service charge					12.00	$485,567.52
01/18/18			outgoing wire	Dillanos Coffee Roasters		24,959.00			$460,608.52
01/18/18			outgoing wire service charge					12.00	$460,596.52
01/23/18	6078		Eagan Avenatti LLP			30,000.00			$430,596.52
01/23/18	6080		Cash			4,000.00			$426,596.52
01/24/18			outgoing wire	TD Ameritrade Clearing Inc.		44,791.45			$381,805.07
01/24/18			outgoing wire	Eagan Avenatti LLP Trust		50,000.00			$331,805.07
01/24/18			outgoing wire service charge					12.00	$331,793.07
01/24/18			outgoing wire service charge					12.00	$331,781.07
01/25/18			outgoing wire	Assured Partners of Washington LLC		8,652.00			$323,129.07
01/25/18			outgoing wire	Assured Partners of Washington LLC		19,956.00			$303,173.07
01/25/18			outgoing wire service charge					12.00	$303,161.07
01/25/18			outgoing wire service charge					12.00	$303,149.07

Post Date	CHK#	Stmt Period	Payee	Memo	Dep Source	Debit	Credit	Srv Chg	CTA Balance
01/29/18			outgoing wire	Nationwide Legal USA		21,321.07			$281,828.00
01/29/18			outgoing wire service charge					12.00	$281,816.00
01/30/18			outgoing wire	Alki Bakery		11,267.79			$270,548.21
01/30/18			outgoing wire	Dillanos Coffee Roasters		11,343.81			$259,204.40
01/30/18			outgoing wire service charge					12.00	$259,192.40
01/30/18			outgoing wire service charge					12.00	$259,180.40
01/31/18			outgoing wire	Judy Kay Regnier		3,867.43			$255,312.97
01/31/18			outgoing wire	Cobientz Patch Duffy & Bass LLP		37,000.00			$218,312.97
01/31/18			transfer to acct #3504			2,000.00			$216,312.97
01/31/18			outgoing wire service charge					12.00	$216,300.97
01/31/18			outgoing wire service charge					12.00	$216,288.97
01/31/18			interest in				13.18		$216,302.15
01/31/18			interest out			13.18			$216,288.97
		02/01/18-02/28/18							$216,288.97
02/05/18			outgoing wire	Alki Bakery		10,841.99			$205,446.98
02/05/18			outgoing wire	Dillanos Coffee Roasters		14,757.74			$190,689.24
02/05/18			outgoing wire service charge					12.00	$190,677.24
02/05/18			outgoing wire service charge					12.00	$190,665.24
02/07/18			outgoing wire	Eagan Avenatti LLP Trust		40,000.00			$150,665.24
02/07/18			outgoing wire service charge					12.00	$150,653.24
02/12/18			outgoing wire	Alki Bakery		10,806.89			$139,846.35
02/12/18			outgoing wire	Dillanos Coffee Roasters		27,241.81			$112,604.54
02/12/18			outgoing wire service charge					12.00	$112,592.54
02/12/18			outgoing wire service charge					12.00	$112,580.54
02/14/18	6092		Eagan Avenatti LLP			43,000.00			$69,580.54
02/14/18			transfer to acct #3504			2,000.00			$67,580.54
02/16/18			outgoing wire	The X-Law Group PC		46,146.81			$21,433.73
02/16/18			outgoing wire service charge					12.00	$21,421.73
02/27/18			transfer to acct #3504			1,800.00			$19,621.73
02/28/18			interest in				2.17		$19,623.90
02/28/18			interest out			2.17			$19,621.73
		03/01/18-03/30/18							$19,621.73
03/07/18	6101		Eagan Avenatti LLP			10,000.00			$9,621.73
03/09/18	6109		Eagan Avenatti LLP			5,000.00			$4,621.73
03/14/18			outgoing wire	Global Baristas LLC		4,000.00			$621.73
03/14/18			outgoing wire service charge					12.00	$609.73
03/30/18			interest in				0.14		$609.87
03/30/18			interest out			0.14			$609.73
		03/30/18-04/30/18							$609.73
04/19/18			transfer to acct #3504			100.00			$509.73
04/30/18			interest in				0.01		$509.74
04/30/18			interest out			0.01			$509.73
		05/01/18-05/31/18							$509.73
05/31/18			interest in				0.02		$509.75

Post Date	CHK#	Stmt Period	Payee	Memo	Dep Source	Debit	Credit	Srv Chg	CTA Balance
05/31/18			interest out			0.02			$509.73
		06/01/18-06/29/18							$509.73
06/29/18			interest in				0.01		$509.74
06/29/18			interest out			0.01			$509.73
		06/30/18-07/31/18							$509.73
07/31/18			interest in				0.01		$509.74
07/31/18			interest out			0.01			$509.73
		08/01/18-08/31/18							$509.73
08/31/18			interest in				0.01		$509.74
08/31/18			interest out			0.01			$509.73
		09/01/18-09/28/18							$509.73
09/28/18			interest in				0.07		$509.80
09/28/18			interest out			0.07			$509.73
		09/29/18-10/31/18							$509.73
10/26/18			transfer to acct #3504			500.00			$9.73
10/31/18			interest in				0.09		$9.82
10/31/18			interest out			0.09			$9.73
		11/01/18-11/30/18							$9.73
			(no activity)						$9.73
		12/01/18-12/31/18							$9.73
12/31/18			interest in				0.01		$9.74
12/31/18			interest out			0.01			$9.73
		01/01/19-01/31/19							$9.73
01/15/19			Legal Process Debit			9.73			$0.00

EXHIBIT 3

Case No.: 19-O-10493
Resp.: Avenatti
CW: Bledsoe

Outgoing debits from CTA # xxxxx5566, sorted by Payee:

January 16, 2018	Alki Bakery	outgoing wire	$10,588.74
January 30, 2018	Alki Bakery	outgoing wire	11,267.79
February 5, 2018	Alki Bakery	outgoing wire	10,841.99
February 12, 2018	Alki Bakery	outgoing wire	10,806.89
			$43,505.41
January 25, 2018	Assured Partners of Washington LLC	outgoing wire	$ 8,652.00
January 25, 2018	Assured Partners of Washington LLC	outgoing wire	19,956.00
			$28,608.00
January 9, 2018	Burke Contracting LLC	outgoing wire	$30,000.00
January 23, 2018	Cash – check # 6080		$4,000.00
January 31, 2018	Coblentz Patch Duffy & Bass LLP	outgoing wire	$37,000.00
January 10, 2018	Dennis N. Brager A Prof Corp	wire transfer debit	$27,000.00
January 8, 2018	Dillanos Coffee Roasters	outgoing wire	$ 41,884.67
January 18, 2018	Dillanos Coffee Roasters	outgoing wire	24,959.00
January 30, 2018	Dillanos Coffee Roasters	outgoing wire	11,343.81
February 5, 2018	Dillanos Coffee Roasters	outgoing wire	14,757.74
February 12, 2018	Dillanos Coffee Roasters	outgoing wire	27,241.81
			$120,187.03
January 10, 2018	Eagan Avenatti Trust Account	outgoing wire	$ 60,000.00
January 23, 2018	Eagan Avenatti LLP – check # 6078		30,000.00
January 24, 2018	Eagan Avenatti LLP Trust	outgoing wire	50,000.00
February 7, 2018	Eagan Avenatti LLP Trust	outgoing wire	40,000.00
February 14, 2018	Eagan Avenatti LLP – check # 6092		43,000.00
March 7, 2018	Eagan Avenatti LLP – check # 6101		10,000.00
March 9, 2018	Eagan Avenatti LLP – check # 6109		5,000.00
			$238,000.00
January 12, 2018	G & M Hollywood LLC	outgoing wire	$13,121.00

	Page One Sub-total:		**$541,421.44**
January 12, 2018	Global Baristas US – check # 6072		$25,500.00
January 17, 2018	Global Baristas LLC	outgoing wire	10,000.00
March 14, 2018	Global Baristas LLC	outgoing wire	4,000.00
			$39,500.00
January 9, 2018	James R. Gailey & Associates P.A.	outgoing wire	$30,000.00
January 31, 2018	Judy Kay Regnier	outgoing wire	$3,867.43
January 8, 2018	Miller Nash Graham & Dunn LLP	outgoing wire	$16,146.64
January 29, 2018	Nationwide Legal USA	outgoing wire	$21,321.07
January 8, 2018	outgoing wire service charge		$12.00
January 8, 2018	outgoing wire service charge		12.00
January 9, 2018	outgoing wire service charge		12.00
January 9, 2018	outgoing wire service charge		12.00
January 10, 2018	outgoing wire service charge		12.00
January 10, 2018	outgoing wire service charge		12.00
January 12, 2018	outgoing wire service charge		12.00
January 16, 2018	outgoing wire service charge		12.00
January 17, 2018	outgoing wire service charge		12.00
January 18, 2018	outgoing wire service charge		12.00
January 24, 2018	outgoing wire service charge		12.00
January 24, 2018	outgoing wire service charge		12.00
January 25, 2018	outgoing wire service charge		12.00
January 25, 2018	outgoing wire service charge		12.00
January 29, 2018	outgoing wire service charge		12.00
January 30, 2018	outgoing wire service charge		12.00
January 30, 2018	outgoing wire service charge		12.00
January 31, 2018	outgoing wire service charge		12.00
January 31, 2018	outgoing wire service charge		12.00
February 5, 2018	outgoing wire service charge		12.00
February 5, 2018	outgoing wire service charge		12.00
February 7, 2018	outgoing wire service charge		12.00
February 12, 2018	outgoing wire service charge		12.00
February 12, 2018	outgoing wire service charge		12.00
February 16, 2018	outgoing wire service charge		12.00
March 14, 2018	outgoing wire service charge		12.00
			$312.00

	Page Two Sub-total:		**$111,147.14**
January 8, 2018	purchase of Cashier's Check payable to Edward Ricci per email from Judy Regnier	debit memo	$617,840.44
January 11, 2018	purchase of Cashier's Check	debit memo	2,209.77
January 11, 2018	purchase of Cashier's Check	debit memo	111,113.22
			$731,163.43
January 10, 2018	Richard Beada	outgoing wire	$17,000.00
January 24, 2018	TD Ameritrade Clearing Inc.	outgoing wire	$44,791.45
February 16, 2018	The X-Law Group PC	outgoing wire	$46,146.81
January 12, 2018	transfer to acct #3504		$100,000.00
January 16, 2018	transfer to acct #3504		1,900.00
January 31, 2018	transfer to acct #3504		2,000.00
February 14, 2018	transfer to acct #3504		2,000.00
February 27, 2018	transfer to acct #3504		1,800.00
April 19, 2018	transfer to acct #3504		100.00
October 26, 2018	transfer to acct #3504		500.00
			$108,300.00
	Page Three Sub-Total:		**$947,401.69**

Page One:	$ 541,421.44
Page Two:	111,147.14
Page Three:	947,401.69
Total:	$1,599,970.27

Deposit:	$1,600.000.00
Outgoing:	1,599,950.00
Remainder:	$ 29.73

Not included in above groupings:

January 5, 2018	incoming wire service charge	$15.00
January 10, 2018	wire transfer debit service charge	5.00
January 15, 2019	remaining balance	9.73
		$29.73

EXHIBIT 4

Approved: _____
MATTHEW PODOLSKY/ROBERT L. BOONE/ROBERT B. SOBELMAN
Assistant United States Attorneys

Before: THE HONORABLE STEWART D. AARON
United States Magistrate Judge
Southern District of New York

19MAG2927.

- - - - - - - - - - - - - - - - - - X

UNITED STATES OF AMERICA	:	**SEALED COMPLAINT**
	:	
- v. -	:	Violations of 18 U.S.C.
	:	§§ 371, 875(d), 1951, and 2
MICHAEL AVENATTI,	:	
	:	COUNTY OF OFFENSE:
Defendant.	:	NEW YORK

- - - - - - - - - - - - - - - - - - X

SOUTHERN DISTRICT OF NEW YORK, ss.:

CHRISTOPHER HARPER, being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation ("FBI"), and charges as follows:

COUNT ONE
(Conspiracy to Transmit Interstate Communications with Intent to Extort)

1. In or about March 2019, in the Southern District of New York and elsewhere, MICHAEL AVENATTI, the defendant, and others known and unknown, knowingly, and willfully, did combine, conspire, confederate, and agree together and with each other to commit an offense against the United States, to wit, transmission of an interstate communication with intent to extort, in violation of Title 18, United States Code, Section 875(d).

2. It was a part and an object of the conspiracy that MICHAEL AVENATTI, the defendant, and others known and unknown, unlawfully, willfully, and knowingly, and with intent to extort from a corporation any money and other thing of value, would and did transmit in interstate commerce a communication containing a threat to injure the reputation of a corporation, in violation of Title 18, United States Code, Section 875(d), to wit, AVENATTI and a co-conspirator not named as a defendant herein ("CC-1") devised a scheme to extort a company by means of an

interstate communication by threatening to damage the company's reputation if the company did not agree to make multi-million dollar payments to AVENATTI and CC-1, and further agree to pay an additional $1.5 million to a client of AVENATTI's.

OVERT ACTS

3. In furtherance of the conspiracy and to effect the illegal object thereof, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. On or about March 19, 2019, in Manhattan, MICHAEL AVENATTI, the defendant, and CC-1 met with attorneys for NIKE, Inc. ("Nike") and threatened to release damaging information regarding Nike if Nike did not agree to make multi-million dollar payments to AVENATTI and CC-1 and make an additional $1.5 million payment to an individual AVENATTI claimed to represent ("Client-1").

b. On or about March 20, 2019, AVENATTI and CC-1 spoke by telephone with attorneys for Nike, during which AVENATTI stated, with respect to his demands for payment of millions of dollars, that if those demands were not met "I'll go take ten billion dollars off your client's market cap . . . I'm not fucking around."

(Title 18, United States Code, Section 371.)

COUNT TWO

(Conspiracy to Commit Extortion)

4. In or about March 2019, in the Southern District of New York and elsewhere, MICHAEL AVENATTI, the defendant, and others known and unknown, unlawfully and knowingly combined, conspired, confederated, and agreed together and with each other to commit extortion, as that term is defined in Title 18, United States Code, Section 1951(b)(2), and thereby would and did obstruct, delay, and affect commerce and the movement of articles and commodities in commerce, as that term is defined in Title 18, United States Code, Section 1951(b)(3), to wit, on an interstate telephone call, AVENATTI and CC-1 used threats of economic harm in order to obtain multi-million dollar payments from Nike to AVENATTI and CC-1, and further to obtain an additional $1.5 million for Client-1.

(Title 18, United States Code, Section 1951.)

COUNT THREE
(Transmission of Interstate Communications with Intent to Extort)

5. On or about March 20, 2019, in the Southern District of New York and elsewhere, MICHAEL AVENATTI, the defendant, unlawfully, knowingly, and willfully, and with intent to extort from a corporation any money and other thing of value, did transmit in interstate commerce a communication containing a threat to injure the reputation of a corporation, and did aid and abet the same, to wit, AVENATTI, during an interstate telephone call, threatened to cause substantial financial harm to Nike and its reputation if Nike did not agree to make multi-million dollar payments to AVENATTI, and further agree to pay an additional $1.5 million to Client-1.

(Title 18, United States Code, Sections 875(d) and 2.)

COUNT FOUR
(Extortion)

6. In or about March 2019, in the Southern District of New York and elsewhere, MICHAEL AVENATTI, the defendant, willfully and knowingly, did attempt to commit extortion as that term is defined in Title 18, United States Code, Section 1951(b)(2), and thereby would and did obstruct, delay, and affect commerce and the movement of articles and commodities in commerce, as that term is defined in Title 18, United States Code, Section 1951(b)(3), to wit, AVENATTI used threats of economic harm in an attempt to obtain multi-million dollar payments from Nike, and further to obtain an additional $1.5 million for Client-1.

(Title 18, United States Code, Sections 1951 and 2.)

BACKGROUND TO THE EXTORTION SCHEME

The bases for my knowledge and for the foregoing charges are, in part, as follows:

7. I am a Special Agent with the FBI and I have been personally involved in the investigation of this matter, which has been handled jointly by Special Agents of the FBI and of the United States Attorney's Office. This affidavit is based upon my personal participation in the investigation of this matter, my conversations with other law enforcement agents, witnesses,

and others, as well as my examination of reports and records. Because this affidavit is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated.

8. Based on my involvement in this investigation, and set forth in greater detail below, I have become aware of a multi-million extortion scheme in which MICHAEL AVENATTI, the defendant, and CC-1 used threats of economic and reputational harm to extort Nike, a multinational corporation engaged in, among other things, the marketing and sale of athletic apparel, footwear, and equipment. Specifically, AVENATTI threatened to hold a press conference on the eve of Nike's quarterly earnings call and the start of the annual National Collegiate Athletic Association ("NCAA") tournament at which he would announce allegations of misconduct by employees of Nike. AVENATTI stated that he would refrain from holding the press conference and harming Nike only if Nike made a payment of $1.5 million to a client of AVENATTI's in possession of information damaging to Nike, *i.e.*, Client-1, and agreed to "retain" AVENATTI and CC-1 to conduct an "internal investigation" - an investigation that Nike did not request - for which AVENATTI and CC-1 demanded to be paid, at a minimum, between $15 and $25 million. Alternatively, and in lieu of such a retainer agreement, AVENATTI and CC-1 demanded a total payment of $22.5 million from Nike to resolve any claims Client-1 might have and additionally to buy AVENATTI's silence.

RELEVANT ENTITIES AND INDIVIDUALS

9. As set forth further below, and based on my involvement with the investigation to date, I am aware of the following:

a. MICHAEL AVENATTI, the defendant, is an attorney licensed to practice in the state of California, with a large public following due to, among other things, his representation of celebrity and public figure clients, as well as frequent media appearances and use of social media.

b. CC-1 is also an attorney licensed to practice in the state of California, and similarly known for representation of celebrity and public figure clients.

c. Nike is a multinational, publicly-held corporation headquartered in Beaverton, Oregon. Nike produces and markets athletic apparel, footwear, and equipment, and also sponsors athletic teams in many sports, including basketball, at various levels, including the high school, amateur, collegiate, and professional levels.

d. "Client-1" is a coach of an amateur athletic union ("AAU") men's basketball program based in California. For a number of years, the AAU program coached by Client-1 had a sponsorship agreement with Nike pursuant to which Nike paid the AAU program approximately $72,000 annually.

e. "Attorney-1" and "Attorney-2" work at a law firm based in New York and represent Nike.

f. The "In-House Attorney" is an attorney who works for Nike.

THE MARCH 19 MEETING WITH AVENATTI

10. Based on my conversations with other law enforcement officers, review of notes, text messages, and emails, and discussions with Attorney-1 who, as noted above, represents Nike, I have learned the following information, in substance and in part:

a. On or about March 13, 2019, Attorney-1 learned from a representative of Nike that CC-1 had contacted Nike and stated, in substance and in part, that he wished to speak to representatives of Nike. CC-1 had further stated, in substance and in part, that the discussion should occur in person, not over the phone, as it pertained to a sensitive matter.

b. On or about March 15, 2019, Attorney-1 spoke by phone with CC-1, and CC-1 stated, in substance and in part, that he was trying to be discreet on the phone, but that he and MICHAEL AVENATTI, the defendant, wished to speak with representatives of Nike in person.

c. On or about March 19, 2019, at approximately 12:00 p.m., Attorney-1, Attorney-2, and the In-House Attorney met with AVENATTI and CC-1 at CC-1's office in New York, New York, during which the following occurred, among other things:

i. AVENATTI stated, in substance and in part, that he represented Client-1, an AAU coach, whose team had previously had a contractual relationship with Nike, but whose

contract Nike had recently decided not to renew. According to AVENATTI, Client-1 had evidence that one or more Nike employees had authorized and funded payments to the families of top high school basketball players and/or their families and attempted to conceal those payments, similar to conduct involving a rival company that had recently been the subject of a criminal prosecution in this District. AVENATTI identified three former high school players in particular, and indicated that his client was aware of payments to others as well.

ii. AVENATTI further stated, in substance and in part, that he intended to hold a press conference the following day to publicize the asserted misconduct at Nike, which would negatively affect Nike's market value. In particular, AVENATTI stated, in substance and in part, that he had approached Nike now because he knew that the annual NCAA tournament - an event of significance to Nike and its brand - was about to begin and further because he was aware that Nike's quarterly earnings call was scheduled for March 21, 2019, thus maximizing the potential financial and reputational damage his press conference could cause to Nike.

iii. AVENATTI further stated, in substance and in part, that he would refrain from holding that press conference and damaging Nike if Nike agreed to two demands: (1) Nike must pay $1.5 million to Client-1 as a settlement for any claims Client-1 might have regarding Nike's decision not to renew its contract with the team coached by Client-1; and (2) Nike must hire AVENATTI and CC-1 to conduct an internal investigation of Nike, with a provision that if Nike hired another firm to conduct such an internal investigation, Nike would still be required to pay AVENATTI and CC-1 at least twice the fees of any other firm hired.

iv. At the end of the meeting, AVENATTI and CC-1 indicated that Attorney-1 and Nike would have to agree to accept those demands immediately or AVENATTI would hold his press conference. In particular, CC-1 indicated that he and AVENATTI would contact Attorney-1, Attorney-2, and the In-House Attorney later that afternoon to discuss Nike's response.

d. Later that day, Attorney-1 left a voicemail for CC-1 indicating that Nike needed time. CC-1 subsequently returned Attorney-1's call and stated, in substance and in part, that AVENATTI had agreed to give Nike until Thursday (i.e. two days) to consider the demands before holding the threatened press conference.

e. After the conclusion of the meeting described above, representatives of Nike contacted representatives of the United States Attorney's Office for the Southern District of New York regarding AVENATTI's threats and extortionate demands.

THE MARCH 20 CALL WITH AVENATTI

11. Based on my conversations with other law enforcement officers and Attorney-1, my own observations, and my review of notes, text messages, audio recordings and draft transcriptions of those conversations, I have learned the following information, in substance and in part:

a. On or about March 20, 2019, at the direction of law enforcement, Attorney-1 sent CC-1 a text message to schedule a telephone call for later that day.

b. On or about March 20, 2019, at approximately 4:00 p.m., Attorney-1 and Attorney-2, who were in their offices in New York, New York, spoke to CC-1 on a telephone call that was consensually recorded and monitored by law enforcement. During the call, and at the direction of law enforcement, Attorney-1 asked CC-1 for more time to consider the demands made by MICHAEL AVENATTI, the defendant, and CC-1 the day before and/or another in-person meeting to discuss those demands. CC-1, who stated, in substance and in part, that he was in Miami, Florida, at the time, said that he would speak to AVENATTI to discuss the possibility of delaying the deadline for Nike's response and would further discuss with AVENATTI the possibility of setting up another in-person meeting.

c. Less than an hour later, at approximately 4:50 p.m., Attorney-1 and Attorney-2 again spoke to CC-1 on a telephone call that was consensually recorded and monitored by law enforcement. During the call, CC-1 indicated that he had spoken to AVENATTI, who was yelling and angry because he did not believe that Nike needed more time to respond to the demands for payment. CC-1 stated, in substance and in part, that Attorney-1 and Attorney-2 would need to provide some justification for delaying the deadline and that CC-1 would attempt to set up another call with AVENATTI so that Attorney-1 could discuss the request for an extension with AVENATTI directly.

d. Shortly thereafter, at approximately 5:10 p.m., Attorney-1 and Attorney-2 engaged in a three-way phone conversation with AVENATTI and CC-1 that was consensually recorded and monitored by law enforcement. During that call, the following, among other things, occurred:

i. AVENATTI reiterated that he expected to "get a million five for our guy" (i.e., Client-1) and be "hired to handle the internal investigation" adding that and "if you don't wanna do that, we're done here."[1]

ii. AVENATTI also reiterated threats made during the previous in-person meeting along with his demand for a multi-million dollar retainer to do an internal investigation. With respect to the internal investigation, AVENATTI made clear that his demand was not simply to be retained by Nike but to be paid at least $10 million dollars or more by Nike in return for not holding a press conference.

iii. In particular, AVENATTI stated, in part: "I'm not fucking around with this, and I'm not continuing to play games. . . . You guys know enough now to know you've got a serious problem. And it's worth more in exposure to me to just blow the lid on this thing. A few million dollars doesn't move the needle for me. I'm just being really frank with you. So if that's what, if that's what's being contemplated, then let's just say it was good to meet you, and we're done. And I'll proceed with my press conference tomorrow . . . . I'm not fucking around with this thing anymore. So if you guys think that you know, we're gonna negotiate a million five, and you're gonna hire us to do an internal investigation, but it's gonna be capped at 3 or 5 or 7 million dollars, like let's just be done. . . . And I'll go and I'll go take ten billion dollars off your client's market cap. But I'm not fucking around."

iv. AVENATTI and CC-1 continued to discuss how much AVENATTI expected to be paid by Nike for doing an "internal investigation." AVENATTI made clear his view that an internal investigation of conduct at a company like Nike could be valued at "tens of millions of dollars, if not hundreds," stating, in part, "let's not bullshit each other. We all know what the reality of this is," adding later in the conversation that while he did not expect to be paid $100 million, he did expect to be paid more than $9 million.

v. Finally, AVENATTI stated, in substance and in part, that he would agree to meet with Attorney-1 in person the following day, Thursday, March 21, the date of Nike's scheduled quarterly earnings call and the beginning of the NCAA tournament, to present the exact amount he demanded from Nike

[1] The quotations set forth in this Complaint are based on draft transcriptions of the recorded conversations, and are in preliminary form only and subject to change upon further review.

and under what terms it would have to be paid. AVENATTI further stated, in substance and in part, that Nike would be required to provide an answer the following Monday or he would hold his press conference.

THE MARCH 21 MEETING WITH AVENATTI

12. Consistent with the phone call described above, and based on my conversations with other law enforcement officers and Attorney-1, my own observations, and my review of a video recording and draft transcription of that video recording, I know that, on or about March 21, 2019, MICHAEL AVENATTI, the defendant, CC-1, Attorney-1, and Attorney-2 met at CC-1's office in New York. That meeting was consensually video- and audio-recorded by Attorney-1 and Attorney-2. During that meeting, the following, among other things, occurred:

a. At the beginning of the meeting, and at the direction of law enforcement, Attorney-1 stated that he did not believe that a payment to AVENATTI's client would be the "sticking point" but that Attorney-1 needed to know more about the proposed "internal investigation." AVENATTI stated, in substance and in part, that he and CC-1 would require a $12 million retainer to be paid immediately and to be "deemed earned when paid," with a minimum guarantee of $15 million in billings and a maximum of $25 million, "unless the scope changes." During the meeting, AVENATTI and CC-1 also stated, in substance and in part, that an "internal investigation" could benefit Nike, by, among other things, allowing Nike to "self-report" any misconduct, and that it would be Nike's choice whether to do so.

b. Attorney-1 noted that Attorney-1 had never received a $12 million retainer from Nike and had never done an investigation for Nike "that breaks $10 million." AVENATTI responded, in substance and in part, by asking whether Attorney-1 has ever "held the balls of the client in your hand where you could take five to six billion dollars market cap off of them?"

c. Attorney-1 also reiterated, at the direction of law enforcement, that Attorney-1 did not think paying AVENATTI's client $1.5 million would be a "stumbling block," but asked whether there would be any way to avoid AVENATTI carrying out the threatened press conference without Nike retaining AVENATTI and CC-1. In particular, Attorney-1 asked, in substance and in part, whether Nike could resolve the demands just by paying Client-1, rather than retaining AVENATTI and CC-1. CC-1 indicated that CC-1 understood that Nike might like to get rid of the problem in "one fell swoop," rather than have it "hanging

over their head." AVENATTI noted that he did not think it made sense for Nike to pay Client-1 an "exorbitant sum of money . . . in light of his role in this." AVENATTI and CC-1 then left the room to confer privately.

d. After returning, AVENATTI stated, in part, "If [Nike] wants to have one confidential settlement and we're done, they can buy that for twenty-two and half million dollars and we're done. . . . Full confidentiality, we ride off into the sunset. . . ."

e. AVENATTI then added that "I just wanna share with you what's gonna happen, if we don't reach a resolution." AVENATTI then laid out again his threat of harm to Nike, adding that, "as soon as this becomes public, I am going to receive calls from all over the country from parents and coaches and friends and all kinds of people - this is always what happens - and they are all going to say I've got an email or a text message or - now, 90% of that is going to be bullshit because it's always bullshit 90% of the time, always, whether it's R. Kelly or Trump, the list goes on and on - but 10% of it is actually going to be true, and then what's going to happen is that this is going to snowball . . . and every time we got more information, that's going to be the Washington Post, the New York Times, ESPN, a press conference, and the company will die - not die, but they are going to incur cut after cut after cut after cut, and that's what's going to happen as soon as this thing becomes public."

f. Finally, AVENATTI and CC-1 agreed to meet at Attorney-1's office on Monday, March 25, 2019. AVENATTI made clear that Nike would have to accede to his demands at that meeting or he would hold his press conference, stating in part, "If this is not papered on Monday, we are done. I don't want to hear about somebody on a bike trip. I don't want to hear that somebody has, that somebody's grandmother passed away or . . . the dog ate my homework, I don't want to hear - none of it is going to go anywhere unless somebody was killed in a plane crash, it's going to go zero, no place with me."

13. Based on my review of a Twitter account publicly associated with MICHAEL AVENATTI, the defendant, I have learned that, consistent with the threats communicated by AVENATTI, as described above, and within approximately two hours after the conclusion of the video-recorded meeting described above, AVENATTI posted the following message on Twitter:

Based on my participation in the investigation, and my review of the article referred to in the tweet described above, I am aware that the article refers to the prior prosecution involving employees of a rival company referred to by AVENATTI in his initial March 19 meeting with attorneys for Nike.

WHEREFORE, deponent respectfully requests that a warrant be issued for the arrest of MICHAEL AVENATTI, the defendant, and that he be arrested and imprisoned or bailed, as the case may be.

SPECIAL AGENT CHRISTOPHER HARPER
FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this
24th day of March, 2019

THE HONORABLE STEWART D. AARON
UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK

EXHIBIT 5

ORIGINAL

AO 91 (Rev. 11/82)

CRIMINAL COMPLAINT

UNITED STATES DISTRICT COURT	CENTRAL DISTRICT OF CALIFORNIA
UNITED STATES OF AMERICA v. MICHAEL J. AVENATTI	DOCKET NO. MAGISTRATE'S CASE NO. SA 19 - 2 4 1 M

FILED
CLERK, U.S. DISTRICT COURT
MAR 2 2 2019
CENTRAL DISTRICT OF CALIFORNIA
BY NB DEPUTY

Complaint for violations of Title 18, United States Code, Sections 1343 and 1344(1)

NAME OF MAGISTRATE JUDGE		LOCATION
HONORABLE DOUGLAS F. MCCORMICK	UNITED STATES MAGISTRATE JUDGE	Santa Ana, California

DATE OF OFFENSES	PLACE OF OFFENSE	ADDRESS OF ACCUSED (IF KNOWN)
Beginning in or around January 2014 and continuing through in or around March 2019	Orange County and Los Angeles County	10000 Santa Monica Boulevard, Unit 2205, Los Angeles, California 90067

COMPLAINANT'S STATEMENT OF FACTS CONSTITUTING THE OFFENSE OR VIOLATION:

(See attached Complaint's Statement of Facts Constituting the Offense or Violation which is incorporated as part of this Complaint)

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2019 MAR 22 PM 4:05
CLERK, U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
SANTA ANA
BY

BASIS OF COMPLAINANT'S CHARGE AGAINST THE ACCUSED:

(See attached Affidavit which is incorporated as part of this Complaint)

MATERIAL WITNESSES IN RELATION TO THIS CHARGE: N/A

Being duly sworn, I declare that the foregoing is true and correct to the best of my knowledge.

SIGNATURE OF COMPLAINANT
Remoun Karlous

OFFICIAL TITLE
Special Agent, Internal Revenue Service – Criminal Investigation

Sworn to before me and subscribed in my presence,

SIGNATURE OF MAGISTRATE JUDGE[1]	DATE
DOUGLAS F. McCORMICK	March 22, 2019

[1] See Federal Rules of Criminal Procedure 3 and 54

AUSAs Julian L. André 213.894.6683 and Brett A. Sagel 714.338.3598 REC: Detention

Complaint's Statement of Facts

Constituting the Offense or Violation

COUNT ONE

[18 U.S.C. § 1344(1)]

Beginning in or about January 2014, and continuing through in or about April 2016, in Orange County, within the Central District of California, and elsewhere, defendant MICHAEL J. AVENATTI ("AVENATTI"), together with others known and unknown, knowingly and with intent to defraud, executed and attempted to execute a scheme to defraud The Peoples Bank as to material matters.

On or about December 12, 2014, in Orange County, within the Central District of California, and elsewhere, defendant AVENATTI, together with others known and unknown, committed and willfully caused others to commit the following act, which constituted an execution of, or an attempt to execute, the fraudulent scheme: (1) wire transfer of approximately $494,500 from The Peoples Bank in Biloxi, Mississippi, to a California Bank & Trust bank account in the name of Eagan Avenatti LLP in Irvine, California.

COUNT TWO

[18 U.S.C. § 1343]

Beginning as early as in or around December 2017 and continuing through in or around March 2019, in Los Angeles and Orange Counties, within the Central District of California, and elsewhere, defendant MICHAEL J. AVENATTI ("AVENATTI"), knowingly and with intent to defraud, devised participate in, and executed a scheme to defraud clients to whom defendant AVENATTI had agreed to provide legal services, as to material matters, and to obtain money and property from his legal clients by means of material false and fraudulent pretenses, representations, and promises, and the concealment of material facts.

On or about January 5, 2018, in Los Angeles and Orange Counties, within the Central District of California, and elsewhere, defendant AVENATTI, for the purpose of executing the above-described scheme to defraud, transmitted or caused the transmission of the following items by means of wire communication in interstate and foreign commerce: (1) wire transfer of approximately $1,600,000 sent from Silicon Valley Bank through the interstate Fedwire system to defendant AVENATTI's City National Bank attorney trust account in Los Angeles, California.

AFFIDAVIT

I, Remoun Karlous, being duly sworn, declare and state as follows:

I. INTRODUCTION

1. I am a Special Agent ("SA") with the Internal Revenue Service-Criminal Investigation ("IRS-CI") in the Los Angeles Field Office and have been so employed since April 1995. As an IRS-CI SA, I have investigated numerous cases involving criminal violations of Title 18, Title 21, Title 26, and Title 31 of the United States Code, which have resulted in seizure, search, and arrest warrants. In particular, I have investigated cases involving money laundering, international money laundering, securities fraud, tax evasion (domestic and international cases), and subscribing to false tax returns.

II. PURPOSE OF AFFIDAVIT

2. This affidavit is submitted in support of an arrest warrant for and criminal complaint charging Michael J. Avenatti ("AVENATTI") with: (a) one count of bank fraud, in violation of 18 U.S.C. § 1344(1); and (b) one count of wire fraud, in violation of 18 U.S.C. § 1343.

3. The facts set forth in this affidavit are based upon my personal observations, my training and experience, and information obtained from various law enforcement personnel and witnesses. This affidavit is intended to show merely that there is sufficient probable cause for the requested warrant and complaint, and does not purport to set forth all of my knowledge of or investigation into this matter. Unless specifically

indicated otherwise, all conversations and statements described in this affidavit are related in substance and in part only.

III. STATEMENT OF PROBABLE CAUSE

A. February 2019 Warrant to Search GBUS Digital Devices

4. On February 22, 2019, in case number 8:19-MJ-103, I submitted an affidavit in support of an application for a warrant to search seven digital devices in the custody of IRS-CI in Laguna Niguel, California (the "prior affidavit"); the seven digital devices had been produced by former Global Baristas US LLC ("GBUS") employees. The Honorable Douglas F. McCormick, United States Magistrate Judge, authorized the warrant that same day (the "February 2019 search warrant"). The application for a search warrant in case number 8:19-MJ-103, as well as my prior affidavit in support thereof, are attached hereto as Exhibit 1 and incorporated herein by reference. In summary, my prior affidavit stated, among other things, the following:

a. AVENATTI was and is an attorney licensed to practice law in the State of California. AVENATTI practiced law through Avenatti & Associates, APC ("A&A") and Eagan Avenatti LLP ("EA LLP") in Newport Beach, California. AVENATTI was the sole owner of A&A.

b. AVENATTI was also the principal owner and Chief Executive Officer ("CEO") of GBUS, which operated Tully's Coffee ("Tully's") stores in Washington and California. In 2013, AVENATTI's company, Global Baristas LLC ("GB LLC"), acquired TC Global Inc., which previously operated Tully's, out of bankruptcy for approximately $9.2 million. AVENATTI's company,

A&A, owned 100 percent of Doppio Inc., which in turn owned 80 percent of GB LLC. GB LLC wholly owned GBUS, which handled the day-to-day business operations of Tully's.

c. There is probable cause to believe that between at least 2011 and the present AVENATTI committed federal offenses, including, but not limited to, the following: (i) fraud-related offenses relating to loans AVENATTI and his companies obtained from The Peoples Bank in Mississippi (Ex. 1, § IV.F); and (ii) wire fraud and money laundering offenses relating to an approximately $1.6 million settlement payment AVENATTI and EA LLP received in January 2018, but failed to transfer to EA LLP's client (Ex. 1, § IV.G).

d. First, between approximately January 2014 and December 2014, AVENATTI obtained three separate loans from The Peoples Bank, a FDIC insured bank in Mississippi: (1) a $850,500 loan to GB LLC in January 2014; (2) a $2,750,000 loan to EA LLP in March 2014; and (3) a $500,000 loan to EA LLP in December 2014. In connection with these loans, AVENATTI provided The Peoples Bank with false federal personal income tax returns for the 2011, 2012, and 2013 tax years. In these purported tax returns, AVENATTI claimed that he earned $4,562,881 in adjusted gross income in 2011, $5,423,099 in adjusted gross income in 2012, and $4,082,803 in adjusted gross income in 2013. He also claimed that he had paid to the IRS $1,600,000 in estimated tax payments in 2012, and $1,250,000 in estimated tax payments in 2013. However, AVENATTI never filed personal income tax returns for the 2011, 2012, and 2013 tax years, and did not make any

estimated tax payments to the IRS during the 2012 and 2013 tax years. In fact, at the time, AVENATTI still owed the IRS approximately $850,438 in unpaid personal income taxes, plus interest and penalties, from the 2009 and 2010 tax years. Additionally, in March 2014, AVENATTI provided The Peoples Bank with a 2012 federal tax return for EA LLP which claimed total income of $11,426,021 and ordinary business income of $5,819,456. However, the 2012 federal tax return EA LLP actually filed with the IRS in October 2014 claimed total income of only $6,212,605 and an ordinary business loss of $2,128,849.

e. Second, from in or about December 2017 and the present, AVENATTI defrauded one of EA LLP's client, G.B., out of the client's portion of an approximately $1.6 million settlement payment. Specifically, in January 2018, AVENATTI arranged for the $1.6 million settlement payment to be transferred to a newly opened attorney trust account. Rather than transfer his client's portion of the settlement proceeds to his client, AVENATTI used the entire $1.6 million for his own purposes, including to pay for expenses relating to GBUS. AVENATTI lied to his client and claimed that the settlement payment was not due until March 2018. When the fake March 2018 deadline passed, AVENATTI led his client to believe that the $1.6 million payment had never been received.

B. **Additional Evidence Regarding AVENATTI's Scheme to Defraud His Legal Client, G.B.**

5. As set forth in my prior affidavit, AVENATTI engaged in a scheme to defraud his client, G.B., out of G.B.'s portion

of an approximately $1.6 million settlement payment AVENATTI and EA LLP received in January 2018 in connection with an arbitration proceeding against a Colorado-based company ("Company 1"). (See Ex. 1, § IV.G.) On March 15, 2019, I participated in an interview of G.B. The information G.B. provided during the interview was consistent with the information G.B. and his counsel had previously provided to IRS-CI and the Newport Beach Police Department ("NBPD"). During the interview, G.B.[1] also provided the following additional information:

a. On or about December 28, 2017, G.B. met with AVENATTI at EA LLP's offices in Newport Beach, California, to go over the proposed settlement agreement with Company 1. During this meeting, AVENATTI provided G.B. with a copy of the $1.9 million settlement agreement to review. The settlement agreement AVENATTI provided to G.B. listed the payment dates as $1.6 million on March 10, 2018, and $100,000 on March 10 of each of the next three years. As noted in my prior affidavit, this information was false and the actual settlement agreement required Company 1 to pay G.B. $1.9 million on January 10, 2018, and $100,000 on January 10 of each of the three subsequent years. (Ex. 1, ¶ 75.e.)

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[1] G.B. previously pleaded guilty to a felony theft count in approximately September 2018 and was sentenced to probation. (See Ex. 1, ¶ 75 n.44.) During his interview, G.B. said that AVENATTI had encouraged him to plead guilty and that AVENATTI continued working with G.B. and one of G.B.'s companies after G.B.'s guilty plea.

b. Based on my review of documents produced by G.B.'s counsel, I know that on or about June 29, 2018, G.B. sent an email to an EA LLP employee ("EA Employee 1") asking her to forward to G.B. the signed settlement agreement with Company 1. During his interview, G.B. said that sometime after he sent this email EA Employee 1 brought him a physical copy of the fully-executed settlement agreement while G.B. was at EA LLP's offices. EA Employee 1 handed AVENATTI the settlement agreement. AVENATTI flipped through the settlement agreement and then handed it to G.B. This copy of the settlement agreement also falsely stated that the settlement payments were due on March 10 of 2018 through 2021, as opposed to January 10 of 2018 through 2021.

c. As noted in my prior affidavit, between April 2018 and November 2018, AVENATTI "advanced" G.B. approximately $130,000 to help G.B. meet certain financial obligations while he waited for his portion of the $1.6 million settlement payment from Company 1. During his interview, G.B. said that in approximately October 2018, AVENATTI told G.B. that AVENATTI would be able to loan G.B. another $100,000 sometime during the first two weeks of January 2019. Notably, under the terms of the true settlement agreement, Company 1 was scheduled to make an additional $100,000 settlement payment to AVENATTI's trust account on January 10, 2019. Thus, it appears that AVENATTI was offering to loan G.B.'s own money to G.B.

6. During the interview on March 15, 2019, G.B's current counsel also confirmed that AVENATTI still has not turned over

G.B.'s client file to his current attorneys despite repeated requests that he do so.

7. Based on my review of bank records and other documents, I have learned that on or about January 5, 2019, a wire transfer of approximately $1,600,000 was transmitted from Silicon Valley Bank through the interstate Fedwire system to a City National Bank attorney trust account ending in 5566 ("CNB Trust Account 5566") associated with AVENATTI.[2]

IV. REQUEST FOR SEALING

8. I request that the criminal complaint, the arrest warrant, and this affidavit be kept under seal to maintain the integrity of this investigation until further order of the Court, or until defendant makes his initial appearance on the arrest warrant. I make this request for several reasons.

a. First, this criminal investigation is ongoing and is neither public nor known to AVENATTI and other subjects of the investigation. Public disclosure of the complaint, arrest warrant, and this affidavit prior to AVENATTI's arrest and initial appearance could cause AVENATTI and others to accelerate any existing or evolving plans to, and give them an opportunity to, destroy or tamper with evidence, tamper with or intimidate witnesses, change patterns of behavior, or notify confederates.

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[2] I understand that the State Bar of California has specific rules that apply to the proper use of attorney trust accounts. For example, I understand that Rule 1.15 of the State Bar of California states that "[f]unds belonging to the lawyer or the law firm shall not be deposited or otherwise commingled with funds held in a trust account."

b. Second, based on evidence collected to date and described in my prior affidavit, there is probable cause to believe that AVENATTI took a number of affirmative actions to obstruct an IRS collection action relating to GBUS's unpaid payroll taxes by, among other things, lying to an IRS Revenue Officer, changing contracts, merchant accounts, and bank account information to avoid liens and levies imposed by the IRS, and instructing employees to deposit over $800,000 in cash from Tully's stores, which were owned and operated by GBUS, into a bank account associated with a separate entity to avoid liens and levies by the IRS. If AVENATTI were to learn of the instant investigation prior to his arrest he might engage in similarly obstructive conduct.

c. Third, a number of former GBUS employees have expressed concerns that AVENATTI might attempt to retaliate against them if he learned they were cooperating with the government's investigation.

d. Fourth, there is a possibility that some evidence relating to GBUS's operations may have already been lost when GBUS was evicted from its corporate offices and AVENATTI refused to pay the bill for GBUS's cloud-based server. Although IRS-CI has been able to obtain some GBUS records, including the data stored on the SUBJECT DEVICES, from other sources, AVENATTI's apparent willingness to allow GBUS records to be lost or destroyed raises a concern that, were AVENATTI to learn of the criminal complaint and arrest warrant, he might not hesitate to destroy any remaining GBUS records and other relevant evidence.

V. CONCLUSION

9. For all the reasons described above, there is probable cause to believe that AVENATTI has committed bank fraud, in violation of 18 U.S.C. § 1344(1), and wire fraud, in violation of 18 U.S.C. § 1343.

Remoun Karlous, Special Agent
Internal Revenue Service -
Criminal Investigation

Subscribed to and sworn before me
this 22nd day of March, 2019.

HONORABLE DOUGLAS F. MCCORMICK
UNITED STATES MAGISTRATE JUDGE

EXHIBIT 1

UNITED STATES DISTRICT COURT

for the

Central District of California

In the Matter of the Search of *(Briefly describe the property to be searched or identify the person by name and address)* Seven Digital Devices in the Custody of the Internal Revenue Service –Criminal Investigation in Laguna Niguel, California	)	Case No. 8:19-MJ-103

APPLICATION FOR A SEARCH WARRANT

I, a federal law enforcement officer or an attorney for the government, request a search warrant and state under penalty of perjury that I have reason to believe that on the following person or property *(identify the person or describe the property to be searched and give its location)*:

See Attachment A

located in the Central District of California, there is now concealed *(identify the person or describe the property to be seized)*:

See Attachment B

The basis for the search under Fed. R. Crim. P. 41(c) is *(check one or more)*:

☒ evidence of a crime;

☒ contraband, fruits of crime, or other items illegally possessed;

☒ property designed for use, intended for use, or used in committing a crime;

☐ a person to be arrested or a person who is unlawfully restrained.

The search is related to violations of:

Code Section	*Offense Description*
26 U.S.C. § 7201	Attempt to Evade or Defeat Tax
26 U.S.C. § 7202	Willful Failure to Collect or Pay Over Tax
26 U.S.C. § 7203	Willful Failure to Pay Tax or File Return
26 U.S.C. § 7212	Interference with Administration of Internal Revenue Laws
18 U.S.C. § 152	Concealment of Assets in Bankruptcy
18 U.S.C. § 157	Bankruptcy Fraud
18 U.S.C. § 371	Conspiracy
18 U.S.C. § 1001	False Statements
18 U.S.C. § 1014	False Statement to a Bank or Other Federally Insured Institution
18 U.S.C. § 1028A	Aggravated Identity Theft
18 U.S.C. § 1343	Wire Fraud
18 U.S.C. § 1344	Bank Fraud
18 U.S.C. § 1957	Money Laundering

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The application is based on these facts:

See attached Affidavit

☒ Continued on the attached sheet.

☐ Delayed notice of_____days (*give exact ending date if more than 30 days*:_____) is requested under 18 U.S.C. § 3103a, the basis of which is set forth on the attached sheet.

/s/
Applicant's signature

IRS CI Special Agent Remoun Karlous
Printed name and title

Sworn to before me and signed in my presence.

Date: February 22, 2019

DOUGLAS F. McCORMICK
Judge's signature

City and state: Santa Ana, CA

United States Magistrate Judge Douglas F. McCormick
Printed name and title

AUSAs: Julian L. André (213.894.6683) & Brett A. Sagel (714.338.3598)

ATTACHMENT A

PROPERTY TO BE SEARCHED

Forensic images of the following digital devices (the "SUBJECT DEVICES"), which are currently maintained in the custody of the Internal Revenue Service-Criminal Investigation ("IRS-CI") in Laguna Niguel, California:

1. Dell XPS 128 GB Samsung SSD, bearing serial number S1D2NSAG5000777, provided to IRS-CI by M.E. on or about October 22, 2018 ("SUBJECT DEVICE 1");

2. Dell Precision, Model M4800, bearing service tag number 252M262, provided to IRC-CI by S.F. on or about October 21, 2018 ("SUBJECT DEVICE 2");

3. Seagate External Hard Drive, model number SRD00F1, bearing serial number NA44HLQH, provided to IRS-CI by M.G. on or about October 22, 2018 ("SUBJECT DEVICE 3");

4. Samsung flash drive provided to IRS-CI by V.S. on or about October 31, 2018 ("SUBJECT DEVICE 4");

5. Seagate Hard Drive, bearing serial number 5VJC1GXV provided to IRS-CI by A.G. on or about November 13, 2018 ("SUBJECT DEVICE 5");

6. Veeam 2GB flash drive provided to IRS-CI by A.G. on or about November 13, 2018 ("SUBJECT DEVICE 6"); and

7. Seagate Hard Drive, bearing serial number 5VJC1GXV provided to IRS-CI by A.G. on or about November 20, 2018 ("SUBJECT DEVICE 7").

ATTACHMENT B

I. ITEMS TO BE SEIZED

1. The items to be seized are evidence, contraband, fruits, and/or instrumentalities of violations of 26 U.S.C. § 7201 (attempt to evade or defeat tax); 26 U.S.C. § 7202 (willful failure to collect or pay over tax); 26 U.S.C. § 7203 (willful failure to pay tax or file return); 26 U.S.C. § 7212 (interference with administration of internal revenue laws); 18 U.S.C. § 152 (concealment of assets in bankruptcy); 18 U.S.C. § 157 (bankruptcy fraud); 18 U.S.C. § 371 (conspiracy); 18 U.S.C. § 1001 (false statements); 18 U.S.C. § 1014 (false statement to a bank or other federally insured institution); 18 U.S.C. § 1028A (aggravated identity theft); 18 U.S.C. § 1343 (wire fraud); 18 U.S.C. § 1344 (bank fraud); and 18 U.S.C. § 1957 (money laundering) (the "Subject Offenses"), namely:

a. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to the ownership of Global Baristas US, LLC ("GBUS"); Global Baristas, LLC ("GB LLC"); GB Autosport, LLC ("GB Auto"); GB Hospitality LLC ("GB Hospitality"); Doppio Inc. ("Doppio"); Eagan Avenatti LLP ("EA LLP"); and Avenatti & Associates, APC ("A&A") (collectively, the "Subject Entities").

b. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to the sale or purchase of TC Global, Inc. or Tully's Coffee.

c. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to the purchase or sale of GBUS, GB LLC, or Doppio.

d. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to AVENATTI's control or management of any of the Subject Entities.

e. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to the organizational or management structure of any of the Subject Entities.

f. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to the finances of any of the Subject Entities, including assets, liabilities, accounts receivable, and accounts payable.

g. Records, documents, correspondence, programs, applications, or materials from January 2013 through September

2018 that evidence, discuss, reflect, or relate to value of GBUS or GB LLC.

h. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to the accounting records for GBUS and GB LLC, including any Microsoft Dynamics NAV accounting data, files, or records.

i. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to GBUS employee handbooks or manuals, employment contracts, compensation records, and employee lists.

j. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to the personal finances of Michael J. Avenatti ("AVENATTI"), including information relating to AVENATTI's assets, debts, income, expenses, and net worth.

k. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to any financial transactions, including any proposed or potential financial transactions, involving any of the Subject Entities and/or AVENATTI.

l. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to financial decisions AVENATTI made on behalf of any of the Subject Entities, including decisions to authorize payments on behalf of any of the Subject Entities and transfer money to or from any of the Subject Entities.

m. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to any loans or other financing agreements, including any proposed or potential loans or other financing agreements, involving any of the Subject Entities and/or AVENATTI.

n. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to the payroll and tax preparation services that Ceridian HCM Inc. ("Ceridian") provided to GBUS, including any records, documents, correspondence, programs, applications, or materials evidencing, discussing, reflecting, or relating to changes in the payroll and tax services to be provided by Ceridian.

o. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to the federal,

state, and/or local tax obligations, tax returns, tax liabilities, or tax payments of any of the Subject Entities and/or AVENATTI.

p. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to any liens, levies, garnishments, judgments, encumbrances, or tax-related investigations or actions associated with any of the Subject Entities and/or AVENATTI.

q. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to GBUS's and GB LLC's merchant credit card processing accounts (the "merchant accounts"), including contracts, agreements, account applications, and correspondence regarding changes to the merchant accounts.

r. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to any of the Subject Entities' and/or AVENATTI's contractual relationships, including drafts and final versions of any executed, proposed, or potential contracts and agreements, bills of sale, correspondence regarding payments, and correspondence regarding the cancellation or modification of contracts and/or agreements.

s. Records, documents, correspondence, programs, applications, or materials from January 2013 through September 2018 that evidence, discuss, reflect, or relate to changes in any of the Subject Entities' and/or AVENATTI's bank account information.

t. Any SUBJECT DEVICE which is itself or which contains evidence, contraband, fruits, or instrumentalities of the Subject Offenses and forensic copies thereof.

u. With respect to any SUBJECT DEVICE containing evidence falling within the scope of the foregoing categories of items to be seized:

i. evidence of who used, owned, or controlled the device at the time the things described in this warrant were created, edited, or deleted, such as logs, registry entries, configuration files, saved usernames and passwords, documents, browsing history, user profiles, e-mail, e-mail contacts, chat and instant messaging logs, photographs, and correspondence;

ii. evidence of the presence or absence of software that would allow others to control the device, such as viruses, Trojan horses, and other forms of malicious software, as well as evidence of the presence or absence of security software designed to detect malicious software;

iii. evidence of the attachment of other devices;

iv. evidence of counter-forensic programs (and associated data) that are designed to eliminate data from the device;

v. evidence of the times the device was used;

vi. passwords, encryption keys, and other access devices that may be necessary to access the device;

vii. applications, utility programs, compilers, interpreters, or other software, as well as documentation and manuals, that may be necessary to access the device or to conduct a forensic examination of it;

viii. records of or information about Internet Protocol addresses used by the device;

ix. records of or information about the device's Internet activity, including firewall logs, caches, browser history and cookies, "bookmarked" or "favorite" web pages, search terms that the user entered into any Internet search engine, and records of user-typed web addresses.

2. As used herein, the terms "records," "documents," "correspondence," "programs," "applications," and "materials" include records, documents, correspondence, programs, applications, and materials created, modified, or stored in any form, including in digital form on any digital device and any forensic copies thereof.

II. SEARCH PROCEDURES FOR HANDLING POTENTIALLY PRIVILEGED INFORMATION ON THE SUBJECT DEVICES

3. In searching the SUBJECT DEVICES (including the forensic copies thereof), the following procedures will be followed at the time of the search in order to avoid unnecessary disclosures of any privileged attorney-client communications or attorney work product.

4. Law enforcement personnel conducting the investigation and search and other individuals assisting law enforcement personnel in the search (the "Search Team") have already obtained custody of the SUBJECT DEVICES, which are capable of containing evidence of the Subject Offenses, or capable of containing data falling within the scope of the items to be seized. The Search Team shall facilitate the transfer of the SUBJECT DEVICES to the "Privilege Review Team" (previously designated individuals not participating in the investigation of the case). The Privilege Review Team, including a Privilege Review Team Assistant United States Attorney ("PRTAUSA") or PRTAUSAs, will then review the SUBJECT DEVICES as set forth herein. The Search Team will review only data from the SUBJECT DEVICES that has been released by the Privilege Review Team to the Search Team.

5. The Privilege Review Team will, in their discretion, either search each SUBJECT DEVICE where it is currently located

or transport it to an appropriate law enforcement laboratory or similar facility to be searched at that location.

6. The Privilege Review Team and the Search Team shall complete the search discussed herein as soon as is practicable but not more than 180 days from the date of execution of the warrant. The government will not search the SUBJECT DEVICES beyond this 180-day period without obtaining an extension of time order from the Court.

7. The Search Team will provide the Privilege Review Team and/or appropriate litigation support personnel[55] with a list of "privilege key words" to search the SUBJECT DEVICES for communications, data, or documents relating to the following law firms: (a) Foster Pepper PLLC; (b) Osborn Machler PLLC; (c) Eisenhower Carlson PLLC; (d) Talmadge/Fitzpatrick/Tribe, PPLC; and (e) Brager Tax Law Group. Such "privilege key words" shall include specific words like "Foster Pepper," "Osborn," "Machler," "Eisenhower," "Carlson," "Talmadge," "Fitzpatrick," "Tribe," "Brager," as well as other email addresses and domain names associated with those individuals and law firms. Because the Chapter 7 bankruptcy trustee for GBUS (the "GBUS Trustee") has executed a waiver of the attorney-client privilege as to all

[55] Litigation support personnel and computer forensics agents or personnel, including IRS Computer Investigative Specialists, are authorized to assist both the Privilege Review Team and the Search Team in processing, filtering, and transferring data contained on the SUBJECT DEVICES.

communications between GBUS's officer, directors, employees, and agents, and any lawyer acting on GBUS's behalf (see Affidavit ¶ 83.a, Ex. 1), including AVENATTI, the "privilege key words" need not include specific words designed to capture all communications with AVENATTI or his law firms, EA LLP and A&A, or standard privilege terms.

8. The Privilege Review Team will segregate and will not search or review the contents of AVENATTI's GBUS email accounts, including: (1) MichaelA@globalbaristas.com; and (2) MAvenatti@globalbaristas.com. Such data will be maintained under seal by the investigating agency without further review absent subsequent authorization as set forth in paragraph 12 below.

9. The Privilege Review Team will conduct an initial review of the data on the SUBJECT DEVICES using the "privilege key words," and by using search protocols specifically chosen to identify documents or data containing potentially privileged information. The Privilege Review Team may subject to this initial review all of the data contained in the SUBJECT DEVICES capable of containing any of the items to be seized. Documents or data that are identified by this initial review as not potentially privileged may be given to the Search Team.

10. All documents or data that the initial review identifies as containing any of the "privilege key words" will

be reviewed by a Privilege Review Team member to confirm that the documents or data contain potentially privileged information. Documents or data that are determined by this secondary review not to be potentially privileged may be given to the Search Team. Documents or data that are determined by this review to be potentially privileged or privileged will be given to the United States Attorney's Office for further review by the PRTAUSA(s). Documents or data identified by the PRTAUSA(s) after further review as not potentially privileged may be given to the Search Team. If, after further review, the PRTAUSA(s) determines it to be appropriate, the PRTAUSA may apply to the Court for a finding with respect to particular documents or data that no privilege, or an exception to the privilege, applies. Documents or data that are the subject of such a finding may be given to the Search Team. In such an instance, the PRTAUSA(s) shall conduct a review of the documents or data to determine whether they fall within the scope of the items to be seized prior to applying to the Court for relief. Documents or data identified by the PRTAUSA(s) after review as privileged will be maintained under seal by the investigating agency without further review absent subsequent authorization as set forth in paragraph 12 below.

11. The Privilege Review Team may, in its discretion, also use "scope key words" to search any documents or data that were

identified as potentially privileged using the "privilege key words" if the Privilege Review Team determines that such a procedure would allow the Privilege Review Team to complete its review of potentially privileged documents more effectively and efficiently. The Privilege Review Team may also, in its discretion, apply the "scope key words" to a subset of the potentially privileged data. At the Privilege Review Team's request, the Search Team may provide the Privilege Review Team and/or appropriate litigation support personnel with a list of "scope key words" designed to search for data relating to the items to be seized. These "scope key words" may then be applied to the potentially privileged data identified by using the "privilege key words." The Privilege Review Team may conduct a detailed quality check on any data that did not contain the "scope key words" to ensure that the scope key word search is effective. Additional "scope key words" designed to locate the items to be seized may also be applied at the discretion of the PRTAUSA(s). Any data or documents that contain both any of the "privilege key words" and any of "scope key words" shall be then reviewed by the Privilege Review Team and the PRTAUSA(s) in accordance with the procedures set forth in paragraph 9 above. Documents and data that are identified by the "scope key word" searches and quality checks as falling outside the scope of the warrant will be maintained under seal as set forth in paragraph

12 below and not further reviewed absent subsequent authorization.

12. Documents or data identified by the PRTAUSA(s) after review as privileged (that are not subject to a finding by a court of no privilege or an exception to the privilege) or potentially privileged and outside the scope of the items to be seized shall be segregated and sealed together in an enclosure, the outer portion of which will be marked as containing potentially privileged information, and maintained by the investigative agency. Such data or documents shall not be accessible by or given to the Search Team at any time absent authorization of the Court. However, the Privilege Review Team may, in its discretion, store the privileged and potentially privileged data and documents in a folder or a set of folders in a document review platform database, such as Relativity or Eclipse, that remains inaccessible to the Search Team. The Privilege Review Team's access to this separate document review platform database shall cease upon expiration of the warrant. However, litigation support personnel from the United States Attorney's Office, United States Department of Justice, and/or the investigating agency may continue to access this separately-maintained document review database for the purpose of database maintenance.

13. The Search Team will search only the documents and data that the Privilege Review Team provides to the Search Team at any step listed above in order to locate documents and data that are within the scope of the search warrant. The Search Team does not have to wait until the entire privilege review is concluded to begin its review for documents and data within the scope of the search warrant. The Privilege Review Team may also conduct the search for documents and data within the scope of the search warrant if that is more efficient, but is not required to do so. In conducting its review, the Search Team may, in its discretion, use key word searches and other searches to determine whether documents or data fall within the scope of the search warrant. Data that is identified after these scope reviews as outside the scope of the items to be seized will be maintained under seal by the Search Team and not further reviewed absent subsequent authorization from the Court.

14. All members of the Search Team shall be advised that AVENATTI may hold an individual attorney-client relationship with the law firms identified in paragraph 7 above or other law firms and lawyers not previously identified, and that communications with or records involving those law firms and lawyers may not be covered by GBUS Trustee's waiver of the attorney-client privilege. If, upon review, a member of the Search Team determines that a document or data from the SUBJECT

DEVICES appears to contain potentially privileged information that may not be covered by GBUS's limited waiver of the attorney-client privilege, such as communications with the lawyers and law firms identified in paragraph 7 above or other law firms and lawyers not previously identified, the Search Team member shall discontinue its review of the document or data and shall immediately notify a member of the Privilege Review Team. The Search Team member may record identifying information regarding the potentially privilege document or data that is reasonably necessary to identity the document or data for the Privilege Review Team. The Search Team shall not further review any documents or data that appears to contain such potentially privileged information until after the Privilege Review Team has completed its review of the additional potentially privileged information discovered by the Search Team member.

15. In performing the reviews, both the Privilege Review Team and the Search Team may:

a. search for and attempt to recover deleted, "hidden," or encrypted data;

b. use tools to exclude normal operating system files and standard third-party software that do not need to be searched; and

c. use forensic examination and searching tools, such as "EnCase," "FTK" (Forensic Tool Kit), Nuix, Axiom,

Relativity, and Eclipse, which tools may use hashing and other sophisticated techniques.

16. If either the Privilege Review Team or the Search Team, while searching a SUBJECT DEVICE encounters immediately apparent contraband or other evidence of a crime outside the scope of the items to be seized, they shall immediately discontinue the search of that device pending further order of the Court and shall make and retain notes detailing how the contraband or other evidence of a crime was encountered, including how it was immediately apparent contraband or evidence of a crime.

17. If the search determines that a SUBJECT DEVICES does contain data falling within the list of items to be seized, the government may make and retain copies of such data, and may access such data at any time.

18. The government may retain the SUBJECT DEVICES (including any forensic copy thereof), which have already been obtained by the Search Team, but may not access data falling outside the scope of the other items to be seized (after the time for searching the device has expired) on the SUBJECT DEVICES absent further court order.

19. After the completion of the search of the SUBJECT DEVICES, the government shall not access digital data falling

outside the scope of the items to be seized absent further order of the Court.

20. The special procedures relating to digital devices found in this warrant govern only the search of digital devices pursuant to the authority conferred by this warrant and do not apply to any search of digital devices pursuant to any other court order.

AFFIDAVIT

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AFFIDAVIT

I, Remoun Karlous, being duly sworn, declare and state as follows:

I. INTRODUCTION

1. I am a Special Agent ("SA") with the Internal Revenue Service-Criminal Investigation ("IRS-CI") in the Los Angeles Field Office and have been so employed since April 1995. As an IRS-CI SA, I have investigated numerous cases involving criminal violations of Title 18, Title 21, Title 26, and Title 31 of the United States Code, which have resulted in seizure, search, and arrest warrants. In particular, I have investigated cases involving money laundering, international money laundering, securities fraud, tax evasion (domestic and international cases), and subscribing to false tax returns.

II. PURPOSE OF AFFIDAVIT

2. This affidavit is made in support of an application for a warrant to search the forensic images of the following digital devices, which are currently held in the custody of IRS-CI in Laguna Niguel, California:

a. Dell XPS 128 GB Samsung SSD, bearing serial number S1D2NSAG5000777, provided to IRS-CI by M.E.[1] on or about October 22, 2018 ("SUBJECT DEVICE 1");

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[1] Although the government has requested that this affidavit, as well as the search warrant and application, be filed under seal, I have referred to victims and witnesses by their initials throughout the affidavit to protect their privacy in the event the affidavit is later unsealed by the Court.

b. Dell Precision, Model M4800, bearing service tag number 252M262, provided to IRC-CI by S.F. on or about October 21, 2018 ("SUBJECT DEVICE 2");

c. Seagate External Hard Drive, model number SRD00F1, bearing serial number NA44HLQH, provided to IRS-CI by M.G. on or about October 22, 2018 ("SUBJECT DEVICE 3");

d. Samsung flash drive provided to IRS-CI by V.S. on or about October 31, 2018 ("SUBJECT DEVICE 4");

e. Seagate Hard Drive, bearing serial number 5VJC1GXV, provided to IRS-CI by A.G. on or about November 13, 2018 ("SUBJECT DEVICE 5");

f. Veeam 2GB flash drive provided to IRS-CI by A.G. on or about November 13, 2018 ("SUBJECT DEVICE 6"); and

g. Seagate Hard Drive, bearing serial number 5VJC1GXV, provided to IRS-CI by A.G. on or about November 20, 2018 ("SUBJECT DEVICE 7")[2] (collectively, the "SUBJECT DEVICES").

3. The requested search warrant seeks authorization to seize any data on the SUBJECT DEVICES that constitutes evidence, contraband, instrumentalities, and/or fruits of violations of: 26 U.S.C. § 7201 (attempt to evade or defeat tax); 26 U.S.C. § 7202 (willful failure to collect or pay over tax); 26 U.S.C. § 7203 (willful failure to pay tax or file return); 26 U.S.C. § 7212 (interference with administration of internal revenue laws); 18 U.S.C. § 152 (concealment of assets in bankruptcy); 18

[2] As discussed in paragraphs 81-82 below, A.G. used the same hard drive to produce to IRS-CI two different sets of data. IRS-CI created two separate forensic images of the hard drive, each of which is identified herein as a separate SUBJECT DEVICE, namely SUBJECT DEVICE 5 and SUBJECT DEVICE 7.

U.S.C. § 157 (bankruptcy fraud); 18 18 U.S.C. § 371 (conspiracy); 18 U.S.C. § 1001 (false statements); 18 U.S.C. § 1014 (false statement to a bank or other federally insured institution); 18 U.S.C. § 1028A (aggravated identity theft); 18 U.S.C. § 1343 (wire fraud); 18 U.S.C. § 1344 (bank fraud); and 18 U.S.C. § 1957 (money laundering) (the "Subject Offenses"), and any SUBJECT DEVICE which is itself or which contains evidence, contraband, fruits, or instrumentalities of the Subject Offenses, and forensic copies thereof.

4. The SUBJECT DEVICES are identified in Attachment A to the search warrant application. The list of items to be seized is set forth in Attachment B to the search warrant application. Attachments A and B are incorporated herein by reference.

5. The facts set forth in this affidavit are based upon my personal observations, my training and experience, and information obtained from various law enforcement personnel and witnesses. This affidavit is intended to show merely that there is sufficient probable cause for the requested warrant and does not purport to set forth all of my knowledge of or investigation into this matter. Unless specifically indicated otherwise, all conversations and statements described in this affidavit are related in substance and in part only.

III. SUMMARY OF PROBABLE CAUSE

6. Michael J. Avenatti ("AVENATTI") was and is an attorney licensed to practice law in the State of California. AVENATTI practiced law through Avenatti & Associates, APC ("A&A") and Eagan Avenatti LLP ("EA LLP") in Newport Beach,

California. AVENATTI was the sole owner of A&A, which owned 75 percent of EA LLP.

7. AVENATTI was also the principal owner and Chief Executive Officer ("CEO") of Global Baristas US LLC ("GBUS"), which operated Tully's Coffee ("Tully's") stores in Washington and California. In 2013, AVENATTI's company, Global Baristas LLC ("GB LLC"), acquired TC Global Inc., which previously operated Tully's, out of bankruptcy for approximately $9.2 million. AVENATTI's company, A&A, owned 100 percent of Doppio Inc., which in turn owned 80 percent of GB LLC. GB LLC wholly owned GBUS, which handled the day-to-day business operations of Tully's.

8. As set forth herein, there is probable cause to believe that between at least 2011 and the present AVENATTI committed federal offenses, including the following: (a) tax offenses relating to GBUS's payroll tax obligations and AVENATTI's efforts to obstruct an IRS collection action; (b) tax offenses relating to the tax obligations of EA LLP and A&A, including the payroll tax obligations of EA LLP; (c) tax offenses relating to AVENATTI's personal tax obligations; (d) fraud-related offenses relating to loans AVENATTI and his companies obtained from The Peoples Bank in Mississippi; and (e) wire fraud, money laundering, and bankruptcy fraud offenses relating to an approximately $1.6 million settlement payment AVENATTI and EA LLP received in January 2018, but failed to transfer to EA LLP's client or disclose in federal bankruptcy proceedings involving AVENATTI and EA LLP.

9. First, between the fourth quarter of 2015 and the fourth quarter of 2017, inclusive, GBUS failed to file employment tax returns and pay approximately $3,121,460 in federal payroll taxes, including approximately $2,390,048 in trust fund taxes, which had been withheld from GBUS employees' paychecks. Multiple former GBUS employees have said that AVENATTI was responsible for all of GBUS's significant financial and business decisions, including the decision not to pay the payroll and trust fund taxes that GBUS owed to the IRS. Indeed, AVENATTI was well aware of GBUS's outstanding tax obligations, yet repeatedly refused to authorize the required tax payments to the IRS.

10. Although GBUS failed to pay to the IRS its payroll taxes between the fourth quarter of 2015 and the fourth quarter of 2017, AVENATTI caused substantial amounts of money to be transferred from GBUS's or GB LLC's bank accounts during this same time period. For example, a preliminary analysis of GBUS's and GB LLC's bank account records shows that between 2015 and 2017 AVENATTI caused a net of approximately $1.7 million to be transferred from GBUS's or GB LLC's bank accounts to bank accounts associated with A&A or EA LLP. This money could have and should have been used to pay GBUS payroll tax obligations.

11. Additionally, after the IRS initiated a collection action relating to GBUS's outstanding payroll tax obligations in September 2016, issued an approximately $5,000,000 tax lien against GBUS in July 2017, and levied multiple GBUS bank accounts, AVENATTI directed repeated attempts to evade

collection of those payroll taxes and obstruct the IRS collection action. Among other things, AVENATTI took the following steps to evade the collection of payroll taxes due to the IRS and obstruct the IRS collection action:

a. In October 2016, when first contacted by an IRS Revenue Officer ("RO 1") regarding GBUS's unpaid payroll taxes, AVENATTI falsely stated that a third-party payroll company was responsible for filing GBUS's payroll tax returns and making GBUS's federal tax deposits. AVENATTI, however, knew that GBUS's third-party payroll company, Ceridian HCM Inc. ("Ceridian"), had discontinued the tax services it had previously provided to GBUS and was, therefore, no longer responsible for filing GBUS's payroll tax returns and making the necessary federal tax deposits. AVENATTI was well aware that GBUS was not paying its payroll taxes. GBUS employees repeatedly asked him to authorize the payment of GBUS's payroll taxes to the IRS, yet he refused to do so.

b. In September 2017, after IRS RO 1 advised GBUS of the possibility of criminal proceedings and levied multiple GBUS bank accounts, including a GBUS account at KeyBank, AVENATTI directed GBUS employees to stop depositing cash receipts from the Tully's stores into the account at KeyBank. Instead, in order to avoid the levies, AVENATTI directed GBUS employees to deposit all cash receipts from Tully's stores into a little-used bank account at Bank of America associated with his car racing entity, GB Autosport, LLC ("GB Auto"). Between September 2017

and December 2017, approximately $859,784 in cash was deposited into the GB Auto account at AVENATTI's direction.

c. In late-September and early-October 2017, in order to avoid IRS levies issued to the sponsoring bank for GBUS's merchant credit card processing accounts ("merchant accounts"), AVENATTI directed GBUS's credit card processing company, TSYS Merchant Solutions ("TSYS"), to change the company name and Employer Identification Number ("EIN") associated with the merchant accounts from GBUS to GB LLC. AVENATTI also directed TSYS to have all credit card receipts paid to a new bank account under the name of GB LLC, which AVENATTI had opened that same day in Orange County, California, instead of the bank accounts associated with GBUS, which were already subject to the IRS levies.

d. In November 2016, approximately one month after the IRS RO first contacted AVENATTI, AVENATTI changed the name of the party to a contract with The Boeing Company ("Boeing") from GBUS to "GB Hospitality LLC," a company which does not appear to have ever been registered with any government agency or operated. Later, in September 2017, after the IRS had issued levies to Boeing and a number of banks with which GBUS had accounts, Boeing cancelled the contract because GBUS had failed to make the required commission payments. In connection with the cancellation of the contract, Boeing agreed to purchase two existing Tully's "kiosks" at Boeing facilities and other Tully's equipment in exchange for a total of $155,010 and the forgiveness of GBUS's debt to Boeing. Although all of the

Tully's locations were operated by GBUS, AVENATTI told an attorney at Boeing to use the name GB LLC on the two bills of sale for the kiosks and equipment, and instructed Boeing to wire the $155,010 payment to an attorney trust account associated with EA LLP rather than any of the bank accounts associated with GBUS. Had the Boeing contract and subsequent bills of sale been under the name GBUS, Boeing would not have made the $155,010 payment due to the existing GBUS tax lien. After receiving the $155,010 payment from Boeing, AVENATTI transferred the $155,010 to an A&A bank account, from which he then transferred $15,000 to his personal checking account, paid approximately $13,073 for rent at his residential apartment in Los Angeles, California, and paid approximately $8,459 to Neiman Marcus. Indeed, out of the $155,010 Boeing transferred to the EA LLP trust account, it appears that only approximately half ever ended up in GBUS's bank accounts.

12. Second, AVENATTI's other companies, EA LLP and A&A, have repeatedly failed to meet their tax obligations despite generating substantial revenues. Between 2015 and 2017, EA LLP failed to file payroll tax returns and pay approximately $2.4 million in payroll taxes, including approximately $1,279,001 in trust fund taxes that had been withheld from EA LLP employees' paychecks. Just as he did in connection with GBUS, AVENATTI lied to the IRS when initially contacted regarding EA LLP's failure to pay its payroll taxes, and falsely claimed that a third-party payroll company, Paychex, was responsible for making the required tax payments even though the payroll company had

notified AVENATTI in January 2015 that it was discontinuing various payroll tax services. Additionally, EA LLP has not filed partnership tax returns (IRS Form 1065) for the 2013, 2014, 2015, 2016, and 2017 tax years, even though EA LLP appears to have received approximately $137,890,016 of deposits into its bank accounts during these tax years. Indeed, AVENATTI's personal website claims that AVENATTI has recovered over one billion dollars in verdicts and settlements for his clients. Similarly, A&A has not filed corporate tax returns (IRS Form 1120S) for the 2011, 2012, 2013, 2014, 2015, 2016, or 2017 tax years, even though A&A appears to have received approximately $37,961,633 of deposits into its bank accounts during these tax years, including net payments of approximately $23,820,816 from EA LLP.

13. Third, AVENATTI filed federal personal income tax returns for the 2009 and 2010 tax years indicating that he owed the IRS a total of approximately $850,438, plus interest and penalties. AVENATTI, however, did not pay the IRS the amounts he owed for those tax years. AVENATTI then failed to file personal tax returns for the 2011 through 2017 tax years. During these tax years, AVENATTI generated substantial income and lived lavishly, yet largely failed to pay any federal income tax. A preliminary analysis of AVENATTI's personal bank accounts reflects that AVENATTI received net payments of approximately $8,464,064 from A&A and EA LLP between 2011 to 2017. AVENATTI also repeatedly used money that had been transferred from GBUS, GB LLC, and EA LLP to A&A to pay for

personal expenses. Further, AVENATTI received proceeds of approximately $5.4 million when he sold his home in Laguna Beach, California in 2015. Finally, in connection with recent divorce proceedings, AVENATTI's wife said that AVENATTI told her that he earned $3.7 million dollars in 2016. His wife also said that their family's monthly expenses were over $200,000 per month. Financial and escrow company records show that from approximately September 2015 to September 2016, AVENATTI and his wife rented a home in Newport Beach for $100,000 per month, after making a $1,000,000 deposit.

14. Fourth, between approximately January 2014 and December 2014, AVENATTI obtained three separate loans from The Peoples Bank, a federally insured bank in Mississippi: (1) a $850,500 loan to GB LLC in January 2014; (2) a $2,750,000 loan to EA LLP in March 2014; and (3) a $500,000 loan to EA LLP in December 2014. In connection with these loans, AVENATTI provided The Peoples Bank with false federal personal income tax returns for the 2011, 2012, and 2013 tax years. In these purported tax returns, AVENATTI claimed that he earned $4,562,881 in adjusted gross income in 2011, $5,423,099 in adjusted gross income in 2012, and $4,082,803 in adjusted gross income in 2013. He also claimed that he had paid to the IRS $1,600,000 in estimated tax payments in 2012, and $1,250,000 in estimated tax payments in 2013. However, AVENATTI never filed personal income tax returns for the 2011, 2012, and 2013 tax years, and did not make any estimated tax payments during the 2012 and 2013 tax years. In fact, as noted above, at the time,

AVENATTI still owed the IRS approximately $850,438 in unpaid personal income taxes, plus interest and penalties, from the 2009 and 2010 tax years. Additionally, in March 2014, AVENATTI provided The Peoples Bank with a 2012 federal tax return for EA LLP which claimed total income of $11,426,021 and ordinary business income of $5,819,456. However, the 2012 federal tax return EA LLP actually filed with the IRS in October 2014 claimed total income of only $6,212,605 and an ordinary business loss of $2,128,849.

15. Fifth, between January 2018 and November 2018, AVENATTI defrauded one of EA LLP's client, G.B., out of the client's portion of an approximately $1.6 million settlement payment. Specifically, in January 2018, AVENATTI arranged for the $1.6 million settlement payment to be transferred to one of his attorney trust accounts. Rather than transfer his client's portion of the settlement proceeds to his client, AVENATTI used the entire $1.6 million for his own purposes, including to pay for expenses relating to GBUS. He then lied to his client and claimed that the settlement payment was not due until March 2018. When the fake March 2018 deadline passed, AVENATTI led his client to believe that the $1.6 million payment had never been received. Additionally, AVENATTI failed to disclose in federal bankruptcy proceedings involving AVENATTI and EA LLP that he had received the $1.6 million settlement payment, despite being aware that he was required to do so.

16. Judy Regnier ("REGNIER") has been described by AVENATTI as his office manager, chief paralegal, and bookkeeper.

She appears to have worked for EA LLP in an administrative capacity since at least 2010. At various times, REGNIER was a signatory on bank accounts associated with GBUS, GB LLC, GB Auto, EA LLP, and A&A. REGNIER was personally involved in many of the events described herein, including directing or executing the transfer of funds between various entities associated with AVENATTI, directing the actions of GBUS employees, and transmitting signed contracts and agreements on behalf of GBUS, GB LLC, EA LLP, or A&A to other parties.

IV. STATEMENT OF PROBABLE CAUSE

A. Federal Tax Obligations

1. Federal Payroll Tax Obligations

17. Based on my training and experience, as well as discussions with other IRS-CI SAs and IRS revenue agents, I have learned the following regarding federal payroll taxes:

a. The Internal Revenue Code imposes four types of tax with respect to wages paid to employees: (1) income tax; (2) Social Security tax; (3) Medicare tax; and (4) federal unemployment tax (collectively, "payroll taxes").

b. Income tax is imposed upon employees based upon the amount of wages they receive.

c. Social Security tax and Medicare tax are imposed by the Federal Insurance Contributions Act, and are collectively referred to as "FICA" taxes. FICA taxes are imposed separately on employees and on employers.

d. Federal unemployment tax is imposed under the Federal Unemployment Tax Act ("FUTA"). FUTA taxes are imposed solely on employers.

e. Employers are required to withhold employee FICA taxes and income taxes from the wages paid to their employees, and to pay over the withheld amounts to the United States. The employers duty to pay over income taxes required to be collected exists even if the taxes are not actually withheld from the employees' wages. The employee FICA taxes and income taxes that employers are required to withhold and pay over to the United States are commonly referred to as "trust fund taxes" because of the provision in the Internal Revenue Code requiring that such taxes "shall be held to be a special fund in trust for the United States."

f. Employers are required to file an Employer's Quarterly Federal Tax Return ("IRS Form 941") quarterly. On IRS Form 941, the employer is required to report the income tax, Social Security tax, and Medicare tax withheld from employees' paychecks. The employer is also required to report and pay the employer's portion of Social Security and Medicare tax for its employees.

g. Employers are required to file an Annual Federal Unemployment (FUTA) Tax Return ("IRS Form 940") yearly. In connection with the IRS Form 940, the employer is required to report its FUTA tax liability for each quarter.

2. Federal Income Tax Obligations for Corporations, Partnerships, and Limited Liability Companies

18. Based on my training and experience, as well as discussions with other IRS-CI SAs and IRS revenue agents, I have learned the following regarding federal income tax obligations for corporations, partnerships, and limited liability companies, such as GBUS, GB LLC, EA LLP, and A&A:

a. Under 26 U.S.C. § 6012(a)(1)(A), corporations and partnerships are required to file tax returns yearly, irrespective of their income. Similarly, the general rule is that every partnership shall file a return for each taxable year. Single-member LLCs are treated as disregarded entities for tax purposes unless they affirmatively elect to be treated as corporations.

3. Federal Income Tax Obligations for Individuals

19. Based on my training and experience, as well as discussions with other IRS-CI SAs and IRS revenue agents, I have learned the following regarding federal income tax obligations for individuals:

a. Under 26 U.S.C. § 6012, "every individual having for the taxable year gross income which equals or exceeds the exemption amount" is required to file a federal tax return. The receipt of a specified amount of gross income generally determines whether an income tax return must be filed. The threshold gross income amount for a married person filing

separately for the 2011 to 2017 tax years ranged from $3,700 to $4,050.[3]

b. Gross income is defined as all income from whatever source derived, including, but not limited to, the following items: (1) compensation for services, including fees, commissions, fringe benefits, and similar items; (2) gross income derived from business; (3) gains derived from dealings in property; and (4) distributive shares of partnership gross income.

B. Background Information

20. Based on publicly available information and other information obtained during the course of this investigation, I have learned the following information regarding AVENATTI and his various companies:

a. AVENATTI is a plaintiff's attorney in Southern California. At all relevant times, AVENATTI lived and worked in Orange County and Los Angeles County, within the Central District of California.

b. In 2006, AVENATTI incorporated A&A, a California subchapter S corporation. In 2007, AVENATTI formed the law firm Eagan O'Malley & Avenatti LLP. In approximately December 2010, O'Malley left the partnership and the firm changed its name to Eagan Avenatti LLP. As recently as January 2019, AVENATTI was still practicing law under the name Eagan Avenatti LLP. According to AVENATTI's website, www.avenatti.com, he has

[3] Although AVENATTI was married to L.S. during the 2011 to 2017 tax years, based on my review of IRS tax records I know that L.S. filed separate tax returns during each of these years.

obtained over "$1 billion in verdicts and settlements as lead counsel" in cases throughout the country. AVENATTI has become a well-known public figure due to his representation of the plaintiff in Stephanie Clifford v. Donald J. Trump, No. 2:18-CV-2217-SJO-FFM (C.D. Cal.), a lawsuit against the President of the United States,[4] and frequent appearances on cable news shows.

c. EA LLP's office was located in Newport Beach, California until at least in or around November 2018.

d. AVENATTI has been since at least July 2013 the principal owner and CEO of GBUS, which operated Tully's stores in Washington and California.[5] GBUS's corporate offices were located in Seattle, Washington. In 2013, AVENATTI's company, GB LLC, acquired TC Global Inc., which previously operated Tully's, at a bankruptcy auction for approximately $9.2 million.

e. During civil depositions taken in October 2016 and July 2017 in connection with Bellevue Square LLC v. Global Baristas US, LLC et al, Case No. 15-2-27043-5-SEA (the "Bellevue Square Litigation"), which was pending in the Superior Court of

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[4] I understand that the Clifford lawsuit was filed on March 6, 2018, well-after the EA LLP IRS collection case began in September 2015 and the GBUS IRS collection case began in September 2016. Indeed, IRS RO 1 first discussed a fraud referral to IRS-CI in connection with the GBUS collection case with his manager in September 2017, approximately six months before the Clifford lawsuit was filed.

[5] In or around October 2018, AVENATTI made press statements indicating that he was no longer the owner of GB LLC or GBUS and had recently sold the company for close to $28 million. To date, the government has been unable to locate any information confirming that AVENATTI sold GB LLC or GBUS. To the contrary, based on the information available to the government, it appears these statements were false.

the State of Washington for King County, AVENATTI admitted the following:

i. A&A owns Doppio;

ii. Doppio owns at least 80% of GB LLC; and

iii. GB LLC wholly owns GBUS, which handled "most of the day-to-day activities" of Tully's.

f. Since approximately March 2017, EA LLP has been involved in bankruptcy proceedings; first in the Middle District of Florida and then transferred in April 2017 to the Central District of California, In re Eagan Avenatti, LLP, No. 8:17-BK-11961-CB (C.D. Cal.) (the "EA Bankruptcy"). (See infra § IV.D.2.) In connection with the EA Bankruptcy, AVENATTI admitted the following:

i. AVENATTI owns 100 percent of A&A.

ii. A&A owns 75 percent of EA LLP, and Michael Eagan owns the remaining 25 percent of EA LLP.

g. In documents publicly filed with the Washington Secretary of State, AVENATTI is listed as the sole officer and director of Doppio, the sole governor and president of GB LLC, and the sole manager of GBUS.

h. AVENATTI was also a competitive racecar driver from at least 2007 to 2015. The website www.driverdb.com indicates that AVENATTI competed in 34 races during that time period. AVENATTI is also the sole governor of GB Auto, a Washington Limited Liability Company that was formed in 2013 shortly after AVENATTI's company GB LLC purchased TC Global Inc., the operator of Tully's.

i. In connection with the EA Bankruptcy, AVENATTI described REGNIER as his office manager, chief paralegal, and bookkeeper.

C. Tax Offenses Relating to Global Baristas US LLC (GBUS) and Global Baristas LLC (GB LLC)

21. As discussed below, there is probable cause to believe that AVENATTI committed a variety of tax offenses in connection with his ownership and control of GBUS. Specifically, the investigation to date has revealed that AVENATTI intentionally failed to pay over to the IRS approximately $3,121,460 in payroll taxes, including approximately $2,390,048 in trust fund taxes that had been withheld from GBUS employees' paychecks. AVENATTI also took a number of steps to obstruct the IRS collection action and evade the collection of GBUS's payroll taxes by, among other things, lying to IRS RO 1, changing GBUS's merchant accounts to avoid IRS tax levies, instructing employees to deposit over $800,000 in cash from Tully's Coffee shops into a bank account associated with a separate entity to avoid IRS levies, and changing the company name on contracts involving GBUS and Boeing.

1. Tax Information Regarding GBUS and GB LLC

22. Based on my review of IRS tax records and discussions with IRS revenue officers and IRS revenue agents, I have learned the following regarding GBUS's payment of federal payroll taxes, including trust fund taxes (i.e., employee withholdings):

a. Between July 2013 and September 18, 2015, GBUS paid its federal tax deposits, including trust fund tax

payments, to the IRS on a bi-weekly basis. During this time period, GBUS also filed its IRS Forms 941 each quarter.

b. After the third quarter of 2015, GBUS stopped filing its IRS Forms 941 and paying its federal tax deposits to the IRS.

c. On March 27, 2017, in connection with the IRS collection case, the IRS prepared substitute quarterly payroll tax returns for the fourth quarter of 2015 through the third quarter of 2016.

d. On October 18, 2017, in connection with the IRS collection case, GBUS filed IRS Forms 941 for the fourth quarter of 2015 through the second quarter of 2017, and an IRS Form 940 for 2016.

e. As detailed in the below chart, GBUS has failed to pay over approximately $3,121,460 in federal payroll taxes, including approximately $2,390,048 in trust fund taxes:[6]

Period	Payroll Tax Assessed	Trust Fund Tax Assessed	Payments	Payroll Tax Owed	Trust Fund Tax Owed
2015, Q4	$466,215	$292,724	$173,489	$292,725	$292,724
2016, Q1	$556,290	$382,100	$0	$556,290	$382,100
2016, Q2	$437,336	$297,791	$0	$437,336	$297,791
2016, Q3	$487,296	$333,969	$88,170	$399,126	$333,969
2016, Q4	$405,440	$277,681	$0	$405,410	$277,681
2017, Q1	$455,289	$309,702	$0	$455,289	$309,702

[6] The tax figures included throughout this affidavit are approximate figures based on my preliminary review of IRS tax records, information provided to me by IRS revenue officers, and/or discussions with an IRS revenue agent. IRS-CI is still in the process of completing its tax calculations.

Period	Payroll Tax Assessed	Trust Fund Tax Assessed	Payments	Payroll Tax Owed	Trust Fund Tax Owed
2017, Q2	$502,969	$345,094	$0	$502,969	$345,094
2017, Q3	$421,648	$291,222	$263,678	$157,969	$150,989
2017, Q4	Unknown	Unknown	$85,684	-$85,684	Unknown
2018, Q1	Unknown	Unknown	$0	Unknown	Unknown
TOTALS	**$3,732,483**	**$2,530,281**	**$611,023**	**$3,121,460**	**$2,390,048**

f. Although the IRS received approximately $611,023 in payroll tax payments during the IRS collection case, such payments only account for a small portion (approximately 16 percent) of the total amount of payroll taxes GBUS owed to the IRS. Moreover, approximately $261,661 of the payroll tax payments the IRS received was attributable to money received from financial institutions in response to the IRS levies, and approximately $349,362 is attributable to payments GBUS or EA LLP made to the IRS during the IRS collection case.[7]

g. GBUS, GB LLC, and Doppio did not file federal corporate or partnership income tax returns for the 2013, 2014, 2015, 2016, or 2017 tax years. In fact, GBUS, GB LLC, and Doppio have never filed federal corporate or partnership income tax returns.

[7] Bank records show that on or about October 31, 2017, EA LLP sent the IRS two wire transfers totaling approximately $263,660 as partial payment for GBUS's outstanding payroll tax liability.

2. The IRS Payroll Tax Collection Case

23. In or about September 2016, the IRS initiated a collection action against GBUS due to its failure to file IRS Forms 941 and pay its payroll taxes. I have reviewed the collection case file, including the ICS History.[8] I also participated in an interview with IRS RO 1 on September 26, 2018. Based on my review of the collection case file and the interview with RO 1, I have learned, among other things, the following information:

a. On September 24, 2016, the IRS opened a collection case against GBUS based on a federal tax deposit alert ("FTDA"). A FTDA is generated when a company that was paying quarterly payroll taxes to the IRS stops making such payments.

b. On September 26, 2016, the collection case was assigned to RO 1. RO 1 ran an initial compliance check on GBUS and determined that GBUS had already missed filing several quarters of payroll tax returns.

c. On October 7, 2016, RO 1 made a field visit to GBUS's corporate offices in Seattle, Washington. RO 1 met with GBUS's Human Resources Director, M.E., and GBUS's Controller, V.S. RO 1 told M.E. and V.S. that the purpose of his visit was to verify federal tax deposits, and that a FTDA had been

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[8] Based on my training and experience, I know that the ICS History is a chronology of events that occurred during the collection case. During his interview, RO 1 explained that not all of the information he receives is included in the ICS History. The ICS History is not meant to document every statement, but is instead just a log of events.

generated based on the possibility that the company had fallen behind in its federal tax deposit payments. Neither M.E. nor V.S. appeared surprised by RO 1's visit. M.E. and V.S. both told RO 1 that AVENATTI was the corporate officer responsible for all of GBUS's business affairs. RO 1 attempted to obtain payroll information from M.E. and V.S., but they did not want to give RO 1 any additional information until RO 1 had spoken with AVENATTI. M.E. and V.S. gave RO 1 AVENATTI's contact information.

d. Later on October 7, 2016, RO 1 called AVENATTI and left a voicemail asking AVENATTI to call him back immediately. When AVENATTI called RO 1, RO 1 stated the purpose of his visit to GBUS's corporate headquarters was to verify GBUS's federal tax deposits. RO 1 also confirmed that AVENATTI was the corporate officer for GBUS. AVENATTI appeared shocked and did not appear to understand how payroll taxes worked. AVENATTI said that he was not personally involved in the company's finances, and that his payroll staff and a third-party payroll company handled the company's payroll responsibilities and payroll taxes. AVENATTI did not tell RO 1 the name of the third-party payroll company, but said that he would provide the information to RO 1 later. RO 1 told AVENATTI that since September 2015 GBUS had not filed any payroll tax returns or made any federal tax deposit payments. AVENATTI said he was very confused about this as well, and that he would talk to his accountant to see if the business had changed payroll companies in late-2015. AVENATTI asked to speak to his accountant and

said he would call RO 1 back by October 13, 2016. RO 1 also told AVENATTI that GBUS owed a balance of $7,758 for the 2015 third-quarter federal tax deposits, and was delinquent for the fourth quarter of 2015 and the first and second quarters of 2016.

e. On October 14, 2016, AVENATTI called RO 1 and said that he had talked to his accountant, M.H. (a certified public accountant in Los Angeles, California), who would be handling the collection case as the Power of Attorney ("POA") for GBUS because AVENATTI did not have time.

f. On October 20, 2016, RO 1 spoke with M.H. M.H. did not have any information regarding GBUS's payroll taxes at the time. M.H. said she had just been hired, and would need to obtain information regarding the business from AVENATTI. RO 1 told M.H. that by November 14, 2016, GBUS needed to pay the remaining balance of $7,758 for the third-quarter of 2015, and file the delinquent quarterly payroll returns for the fourth-quarter of 2015 and the first three quarters of 2016. RO 1 also requested that GBUS provide 12 months of bank statements, a 2016 profit and loss statement, and a fully completed IRS Form 433B (collection information statement for business). RO 1 further told M.H. that he would need to set up an appointment for an IRS Form 4180 trust fund interview, the purpose of which is the determination of which corporate officers are responsible for making the federal tax deposits. RO 1 explained to M.H. the consequences that would result if GBUS did not meet these deadlines, including the possibility of levies, summonses, and

seizures. At no point during the call, did M.H. suggest that AVENATTI was not the responsible party for GBUS's payroll tax liabilities.

g. On November 18, 2016, M.H. called RO 1 to request an extension of the November 14, 2016, deadline to pay the $7,758 remaining balance, file the delinquent returns, and provide the requested financial information and IRS Form 433B. M.H. told RO 1 that AVENATTI, GBUS's managing member, had been out of the country for work and M.H. had not been able to have a meaningful discussion with him regarding the status of the business or its taxes. M.H. said that AVENATTI was coming home for the holidays and that she planned to meet with him "intensely" to discuss the issues with the business. RO 1 agreed to extend the deadline to December 19, 2016, and again explained to M.H. the consequences that would result if GBUS did not meet this deadline.

h. As of the December 19, 2016, deadline, RO 1 had not heard back from GBUS, M.H., or AVENATTI. The IRS had not received from GBUS any additional payments, the delinquent returns, or the requested financial information. As a result, RO 1 mailed to GBUS and M.H. via certified U.S. Mail completed substitute returns prepared by the IRS ("IRS Form 6020B"); IRS Publication 5, which detailed appeal rights; blank IRS Form 940 and IRS Form 941 returns; and IRS Letter 1085, detailing the proposed assessment and advising GBUS that the IRS had prepared tax returns on the company's behalf and providing GBUS with 30 days to contest the assessment or file its own returns. Based

on the IRS Form 6020B substitute returns, GBUS owed the IRS a balance of approximately $4.8 million in unpaid payroll taxes.

i. On or about December 22, 2016, GBUS paid the $7,758 balance due for the 2015 third quarter federal tax deposits.

j. On or about February 9, 2017, RO 1 filed IRS Form 6020B substitute returns with the IRS for the fourth quarter of 2015, and the first three quarters of 2016.

k. As of March 13, 2017, GBUS still had not filed its delinquent returns or provided any of the requested financial information. RO 1 attempted to contact M.H., but was unable to reach her. RO 1 left M.H. a message informing her that liens would be filed for all balances due from the IRS Form 6020B assessments. RO 1 also mailed out an IRS Form 9297 to GBUS and M.H., which stated that GBUS had until April 10, 2017, to file the delinquent returns and to provide the requested financial information and IRS Form 433B. GBUS did not comply with the April 10, 2017, deadline.

l. Because RO 1 had not heard back from GBUS or M.H. as of June 22, 2017, RO 1 began the process of filing notices of liens against GBUS for all amounts due to the IRS. On June 26, 2017, the IRS filed a federal tax lien against GBUS for approximately $4,998,227 with King County in Washington.

m. On August 16, 2017, at RO 1's request, IRS levies[9] were issued to a number of financial institutions and companies associated with GBUS, including: (1) Bank of America ("BofA"); (2) California Bank & Trust ("CB&T"); (3) JP Morgan Chase Bank NA ("Chase"); (4) HomeStreet Bank ("HomeStreet"); (5) KeyBank; (6) Heartland Payment Systems ("Heartland"); (7) First National Bank of Omaha ("FNB Omaha"); and (8) Boeing. The levy notices indicated that GBUS owed the IRS a total of approximately $5,210,769. The levy notices were simultaneously mailed to GBUS's corporate offices. As noted in paragraph 29.q below, funds provided to the IRS by the recipient financial institutions as a result of the levies were routinely noted on the monthly financial statements provided to GBUS and AVENATTI by the financial institutions. RO 1 continued to issue additional levy notices to financial institutions and companies associated with GBUS throughout January 2018. Because IRS levies only apply to funds in the accounts at the time the levy is issued, RO 1 issued levies on a nearly daily basis at various points in time. In total, RO 1 issued approximately 125 levy notices.

n. On or about August 21, 2017, RO 1 began the process of bypassing GBUS's representative, M.H. Before

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[9] Based on my training and experience, I know that an IRS levy is used to collect money that a taxpayer owes to the IRS. The levy requires the recipient to turn over to the United States Treasury the taxpayer's property and rights to property, such as money, credits, and bank deposits, that the recipient of the levy has or is already obligated to pay to the taxpayer. Banks, savings and loans, and credit unions are obligated to hold any funds subject to the levy for 21 days before sending payment to the United States Treasury.

bypassing a taxpayer's representative, RO 1 was first required to issue a warning to M.H. RO 1 called M.H. and left her a message stating that three separate attempts had been made to obtain information from her regarding GBUS, but that no information had been provided, and his calls had not been returned. RO D.L also said that he would be bypassing M.H. if she made no further contact. RO 1 did not receive a response.

o. On September 1, 2017, RO 1 visited GBUS's corporate headquarters. RO 1 spoke to a GBUS employee, S.F., who confirmed that AVENATTI was the sole person responsible for GBUS's finances and served as both the CEO and Chief Financial Officer ("CFO"). S.F. also confirmed that the various notices the IRS sent to GBUS had been received by GBUS, and that the notices were being scanned and then emailed to AVENATTI. S.F. said that AVENATTI was a practicing attorney in California. When asked for AVENATTI's email address, S.F. said she could not give that out. S.F. did not appear surprised that RO 1 was visiting GBUS. S.F. said she was aware of the IRS levies. RO 1 also provided S.F. with a copy of IRS Letter 903, which stated that the Department of Justice was considering initiating a civil suit or criminal prosecution due to GBUS's failure to make its required trust fund payments to the IRS. RO 1 also read the letter to S.F., who confirmed that she understood the letter. As noted in paragraph 32.f below, during a subsequent interview, S.F. confirmed that she told AVENATTI about RO 1's visit and provided him with a copy of the IRS 903 Letter.

p. On September 1, 2017, upon returning to his office, RO 1 consulted with his general manager about a possible fraud referral to IRS-CI due to GBUS's non-compliance. RO 1's justification for the potential fraud referral was that GBUS had not provided any documents; RO 1 had been attempting to collect the taxes owed for one year and had only received one payment of approximately $7,000; the POA, M.H., had been dismissed; and Tully's stores were still operating.

q. On September 5, 2017, Dennis Brager ("Brager"), an attorney from the Brager Tax Law Group, contacted RO 1. Brager said we would serve as the new POA for GBUS. Brager told RO 1 that the payroll tax issues were all due to a financial error and that GBUS had gone through staffing changes in the financial or accounting department that had caused the payroll tax issue. Brager also told RO 1 that AVENATTI knew nothing about the IRS issues until the delivery of the 903 Letter "last Friday" (i.e., September 1, 2017). RO 1 explained to Brager that the case was a year old, he had been unable to get any information from the prior POA, M.H., and that liens and levies had already been issued. Brager told RO 1 that the left hand did not know what the right hand was doing, that AVENATTI was busy, and that employees were not doing their jobs. RO 1 told Brager that the balance due to the IRS was currently at $5,274,460. Brager told RO 1 that GBUS would file original returns and correct all balances due.

r. On September 6, 2017, S.F. contacted RO 1 and said she wanted to provide information to him confidentially due

to fear of reprisal from AVENATTI if he learned she had spoken to the IRS. RO 1 asked S.F. why she changed her mind and wanted to talk to him. S.F. said that after hearing RO 1 read the 903 Letter she became uncomfortable with AVENATTI's response to the situation and the scramble she had had to go through to pay vendors because of the filed levies.

s. On September 15 and September 25, 2017, RO 1 called Brager's office, but was unable to reach him. During the call on September 25, RO 1 told the receptionist that he would be faxing Brager a number of forms, and also mailing the forms to Brager via certified mail. Among other things, RO 1 sent Brager a Form 9297, summary of contact letter, requesting full payment of the approximately $5.3 million balance due, and setting a deadline of October 16, 2017, for GBUS to file original returns to correct the Form 6020B substitute returns. The Form 9297 letter also advised GBUS that the IRS would seize corporate assets from a number of Tully's locations if GBUS were unable to pay the balance due.

t. On September 26, 2017, RO 1 conducted a IRS Form 4180 trust fund interview with A.H., a former GBUS employee. A.H. confirmed that she had been a payroll clerk and bookkeeper at GBUS. A.H. told RO 1 that AVENATTI was in charge of GBUS and made all of the financial decisions for the company.

u. On September 26, 2017, RO 1 also attempted to conduct an IRS Form 4180 trust fund interview with T.M., GBUS's former CFO and Chief Operating Officer ("COO"), at his home. RO 1 eventually spoke with T.M. via telephone. T.M. said he needed

to speak with counsel before speaking to RO 1. Subsequently, on or about November 3, 2017, RO 1 received a letter from T.M.'s attorney attaching the completed Form 4180, a signed declaration from T.M., and a copy of T.M.'s September 24, 2015, resignation email to AVENATTI. In the Form 4180, T.M. stated that AVENATTI was the sole corporate officer for GBUS and was responsible for GBUS's financial decisions. The letter from T.M.'s attorney also argued that T.M. was not personally liable for any of GBUS's tax liabilities.

v. On October 3, 2017, RO 1 spoke with Brager. Brager expressed shock that levies had been issued. RO 1 told Brager that the levies were issued because no federal tax deposits had been received from GBUS and that GBUS was an "egregious pyramider."[10] RO 1 told Brager that RO 1 would agree not to issue additional levies against GBUS until October 16, 2017, so that GBUS could take steps to make immediate federal tax deposits. Brager asked RO 1 for a "levy release," which RO 1 declined to provide because GBUS had not been in compliance and had failed to provide any financial information. When Brager said that GBUS would not be able to make any federal tax deposits due to the levies in place, RO 1 told Brager that GBUS had not made any federal tax deposits since the fourth-quarter of 2015, that the levies did not start until August 2017, and that GBUS therefore had almost two years of payroll taxes stashed away. When asked what happened to the payroll taxes

[10] RO 1 explained during his September 2018 interview that a "pyramider" is a business that is accumulating payroll taxes every quarter without making the required payments to the IRS.

that had been withheld from the employees from October 2015 to July 2017, Brager told RO 1 that he did not know and that he needed to talk to AVENATTI.

w. On October 13, 2017, Brager contacted RO 1 and told him that GBUS had made a federal tax deposit payment for its payroll taxes. Brager also said that GBUS had filed its original payroll tax return.

x. On October 18, 2017, RO 1 received four payroll tax returns from GBUS for processing and four payroll tax returns for 6020B reconsideration. As of October 18, 2017, however, the IRS still had not received any federal tax deposits from GBUS. RO 1 left a message for Brager informing him that there had "still been no FTDS!" In the message, RO 1 told Brager that the payment of the federal tax deposits needed to be immediate and retroactive since the last federal tax deposit payment had been made on November 2, 2015.

y. On October 20, 2017, having still not received federal tax deposit payments from GBUS, RO 1 again began issuing daily levies to the financial institutions associated with GBUS, including KeyBank, CB&T, and FNB Omaha. RO 1 also noted in the ICS History that the case was being considered for a fraud referral to IRS-CI.

z. On October 26, 2017, the IRS received a $23,763 payment from GBUS.

aa. In late October 2017, RO 1 noticed that the levies issued were not producing the expected amount of seized

funds. This raised a red flag for RO 1 regarding GBUS's financial arrangements.

bb. On November 2, 2017, Brager called RO 1 and faxed over two copies of federal tax deposits made by GBUS. Brager requested that the IRS enter into an installment agreement with GBUS. RO 1, however, told Brager that GBUS did not qualify for an installment agreement because GBUS had never provided the IRS with any financial information. RO 1 told Brager that he believed the request for an installment agreement was merely a stall tactic and attempt to delay collection.[11] During the call, Brager repeatedly told RO 1 that AVENATTI had relied on the payroll service provider to make payments but the provider had failed to make the deposits. RO 1 responded that GBUS should have had the money at issue readily available since the federal tax deposits were never made. Brager said he didn't know the financial information for GBUS, but would get together with AVENATTI and provide RO 1 with all the financial information within 10 days. RO 1 told Brager that enforcement (i.e., additional levies) would continue during that time period.

cc. On November 6, 2017, the IRS received a Form 941 payroll return for GBUS for the third-quarter of 2017. The payroll return was signed by M.E.

dd. On November 14, 2017, RO 1 spoke with a FNB Omaha employee. RO 1 wanted to know why there had been no funds from the latest levies issued to FNB Omaha. The FNB Omaha employee

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[11] RO 1's general manager reviewed the installment agreement request and agreed with RO 1's assessment that it was merely a delay tactic.

told RO 1 that GBUS had changed merchant accounts and was no longer using FNB Omaha as the sponsoring bank. The employee said that GBUS might still be using TSYS as its credit card processor, but a different sponsoring bank. RO 1 considered the change in merchant accounts to be a red flag.

ee. On November 14, 2017, a GBUS employee told RO 1 that: (1) the merchant account IDs had been changed in all of the Tully's stores on October 5, 2017; (2) FNB Omaha had requested the GBUS accounts be closed due to risk; (3) the account into which cash from the Tully's stores was deposited had been changed from a KeyBank account to a subsidiary account under the name of GB Auto; (4) cash was being deposited into a BofA account ending in 7412 ("GB Auto BofA Account 7412"); and (5) cash was retrieved from the coffee shops twice a week on Monday and Thursday mornings. At this point, RO 1 believed that GBUS was actively placing assets out of the reach of the government.

ff. On November 17, 2017, M.G. called RO 1 to say that M.G. wanted to cooperate and remain anonymous due to fear of reprisal. M.G. was the Director of Retail Operations for GBUS.[12] M.G. said she was responsible for daily cash deposits and setting up merchant credit card processing services for all of the Tully's stores. M.G. told RO 1 that GBUS's corporate headquarters and one of the Tully's retail locations had been closed due to non-payment of the lease. M.G. said that she had

[12] Based on interviews of M.G. and S.F. conducted in September 2018, I know that M.G. and S.F. are sisters.

been instructed by V.S., GBUS's controller, to make numerous changes to the cash deposits and the merchant accounts, which made her feel uneasy and suspicious as to whether fraud was occurring. M.G. said she had all the financial information and correspondence from AVENATTI regarding changes to the merchant accounts. RO 1 told her that he would be summonsing her into the office to provide the documents. He also asked M.G. to let him know if AVENATTI changed the bank accounts or merchant accounts again.

gg. Later, on November 17, 2017, two GBUS employees, M.G. and V.S. were served with IRS summonses requiring them to appear before RO 1 and produce relevant GBUS business records.

hh. On November 28, 2017, M.E. appeared for an interview in response to the collection summons RO 1 issued. During the interview, M.E. filled out a Form 4180. M.E. said that since April 2016 she prepared, reviewed, signed, and authorized the transmission of payroll tax returns. M.E., however, confirmed that AVENATTI was the owner and operator of GBUS, and that all financial obligations, if paid, were paid at the direction of AVENATTI.

ii. On November 29, 2017, M.G. appeared for an interview in response to the collection summons RO 1 issued. M.G. provided RO 1 with bank account information for GBUS, GB LLC, and GB Auto. M.G. confirmed that GBUS had changed both its credit card processing and cash deposit accounts. M.G. said that cash from the Tully's stores were previously being deposited into a KeyBank account, but was now being deposited

into an account for GB Auto. M.G. said that the entity name for the merchant accounts had been changed from GBUS to GB LLC. M.G. said that REGNIER, from EA LLP, had set up the new bank account for GB LLC. M.G. also provided RO 1 with emails regarding the company's business, including emails regarding the merchant account changes.[13]

jj. On November 30, 2017, V.S. appeared for an interview in response to the collection summons RO 1 issued. V.S. told RO 1 that no payments for GBUS were made unless authorized by AVENATTI. V.S. repeatedly said that AVENATTI refers to himself as the owner, CEO, and sole member of GBUS and that any and all decisions go through him. V.S. said that funds were frequently transferred between GBUS and EA LLP, and that unreasonable legal fees were being paid to EA LLP. V.S. also said that GBUS sponsored the International Motor Sports Association ("IMSA"), and spent approximately $200,000 in license fees and other investments relating to AVENATTI's racing team. V.S. said that T.M., GBUS's former COO/CFO, and B.H., GBUS's former Director of Operations were both aware of the financial irregularities at GBUS. V.S. also provided RO 1 with email correspondence involving AVENATTI, as well emails regarding the changes to the TSYS merchant accounts.[14]

kk. On December 5, 2017, M.G. told RO 1 that AVENATTI had instructed all of the Tully's stores to hold their cash

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[13] IRS-CI's collection and review of these emails is discussed further in footnote 15 below.

[14] IRS-CI's collection and review of the emails V.S. provided is discussed further in footnote 15 below.

deposits until further notice. M.G. said AVENATTI was also very curious about what documents were submitted to the IRS in response to the summons and wanted a full account of the documents submitted.

ll. On or about December 7, 2017, Brager sent a letter to RO 1's general manager complaining about the summonses issued to GBUS employees. Among other things, Brager's letter claimed that the IRS had provided inadequate notice of the summonses to GBUS. Brager further claimed that RO 1 may have obtained privileged information from the employees because AVENATTI is both the managing member of GBUS and its general counsel.[15]

mm. On December 11, 2017, RO 1 contacted A.R.G., a lawyer for Boeing, regarding the sale of the Tully's kiosks while IRS liens were pending. On December 12, 2017, A.R.G. emailed RO 1 a copy of the Global Baristas contract, and an email exchange with AVENATTI. A.G. stated that the contract was

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[15] In April 2018, following the fraud referral to IRS-CI, RO 1 provided me with PDFs of six documents he had received in response to the summonses. In May 2018, RO 1 also provided me with a disk containing additional documents he had received in response to the summonses. I briefly reviewed the six PDFs, but did not review any of the materials on the disk. Later in May 2018, while reviewing RO 1's case file, I learned of Brager's privilege claim. I then provided the materials I received from RO 1 to an attorney with the Department of Justice's Tax Division so that a privilege review could be conducted. I understand that a Privilege Review Team AUSA ("PRTAUSA") subsequently conducted a review of the materials in August 2018. The PRTAUSA redacted two portions of one email on the basis that GBUS might be able to claim that the redacted portions were protected by the attorney-client privilege, but concluded that none of the other documents RO 1 had provided were protected or potentially protected by the attorney-client privilege. The redacted email and the remaining documents were then released to IRS-CI and the prosecution team for us to review.

actually with GB Hospitality, LLC. In the email, A.G. said that AVENATTI "verbally had asked me to use the entity Global Baristas, LLC on the Bill of Sale as he said it was the entity that held title to the equipment."

nn. On December 14, 2017, RO 1 spoke with M.G. and S.F. They told him AVENATTI had instructed the Tully's stores to hold the cash deposits because he was in the process of setting up new accounts to take cash deposits. They also told RO 1 that GBUS was in the process of finalizing a new merchant credit card account with Chase Bank under the name of GB LLC.

oo. On December 14, 2017, RO 1 issued a summons for AVENATTI to appear for a 4180 trust fund interview. On January 11, 2018, Brager advised RO 1 that AVENATTI would not appear because AVENATTI had not been properly served with the summons.

pp. As of January 2018, RO 1 was still issuing levies to known bank accounts associated with GBUS, as well as to bank accounts associated with GB LLC and GB Auto. These levies typically resulted in the recovery of only $50 to $100.

qq. On February 2, 2018, Brager sent RO 1 a protest of the proposed trust fund recovery penalty assessments against AVENATTI and GBUS. Among other things, Brager claimed that AVENATTI "did not act willfully since he was not involved in the preparation, or calculation of the payroll taxes" and "did not have knowledge of the fact that the taxes were unpaid until after the taxes had accrued." Brager therefore argued that AVENATTI was not a "responsible person" for GBUS and "cannot be

held personally liable for the trust fund taxes owed by Global Baristas, US LLC."

rr. On March 12, 2018, RO 1 made field visits to a number of Tully's locations, each of which had signs posted on the door stating that the store was temporarily closed. RO 1 then contacted a GBUS employee, who told him that the closures were in fact permanent.

ss. On March 19, 2018, the IRS Fraud Technical Advisor's Manager approved a fraud referral to IRS-CI.

3. GBUS Employee Interviews

24. As part of its investigation, IRS-CI has interviewed numerous former GBUS employees. At the outset of each interview, Assistant United States Attorneys ("AUSAs") working on this investigation requested that the employee not provide the government with any information that might be covered by the attorney-client privilege. The AUSAs explained that any legal discussions the employee may have had with lawyers acting on behalf of GBUS or any other company the employee worked for could potentially be covered by the attorney-client privileged, and that the company would hold the privilege -- meaning that only the company could decide to disclose privileged communications to the government. The AUSAs further explained that the government understood that GBUS's owner and CEO, AVENATTI, was also a lawyer and may have acted both in a business capacity and a legal capacity on behalf of GBUS. The AUSAs asked the employees to inform the interviewers if at any point the questions might require the employees to disclose

legal discussions they had with AVENATTI, and to not disclose any legal discussions they may have had with AVENATTI in his capacity as a lawyer for GBUS. Each of the employees said they understood and agreed not to provide any information that they believed could be potentially privileged.

25. On November 13, 2018, I participated in an interview of T.M., GBUS's former Chief Operating Officer ("COO") and Chief Financial Officer ("CFO"). T.M. was accompanied by his personal attorney. T.M. provided the following information:

a. T.M. met AVENATTI in approximately 2011 through T.M.'s work for Cascade Capital Group ("Cascade"). In 2012, T.M., AVENATTI, and others were attending a bankruptcy hearing in connection with the Meridian Mortgage Funds ("Meridian") bankruptcy case. Prior to the Meridian hearing, there was a hearing regarding the auction to purchase TC Global, Tully's parent company, out of bankruptcy. During that hearing, AVENATTI expressed an interest in purchasing TC Global out of bankruptcy. AVENATTI then hired Cascade to do due diligence on TC Global and Tully's. In January 2013, AVENATTI, through GB LLC, put in a successful bid of $9.15 million to purchase TC Global at a bankruptcy auction. The purchase closed in June 2013.

b. T.M. worked as a consultant for GBUS beginning in July 2013. In October or November 2013, T.M. took a full-time position as GBUS's COO and CFO. T.M worked for GBUS until September 24, 2015, when he resigned. Between approximately January 2015 and September 2015, T.M. worked for GBUS only half-

time. T.M.'s base salary was $250,000, with incentives of up to $150,000 annually. T.M. was also supposed to receive "phantom equity" in GBUS, under which T.M. would receive six percent of the sale proceeds of GBUS equity in excess of $9,150,000.

c. AVENATTI's title at GBUS was CEO and he was on GBUS's payroll as its CEO. T.M. considered AVENATTI to be the owner and CEO. T.M said he "treated this as if I was working for the owner." AVENATTI's role was to identify strategy and make decisions for GBUS. T.M. said that AVENATTI was the ultimate decision maker for GBUS and that every important decision was approved by AVENATTI. For example, AVENATTI made all of the hiring decisions for GBUS, and interviewed and vetted the candidates.

d. T.M. said that AVENATTI's default position at GBUS was not as a lawyer. When asked whether AVENATTI ever acted as a lawyer for GBUS, T.M. said he did not know and that this was a gray area. T.M., however, said that he did not see any invoices from EA LLP and was not aware of GBUS ever hiring EA LLP to do legal work for GBUS. T.M. considered his conversations with AVENATTI to be about business matters, not legal matters.

e. T.M. said that for the entire time he worked for GBUS, Foster Pepper PLLC was GBUS's operational counsel. T.M. saw invoices from Foster Pepper to GBUS, which were then routed to AVENATTI.

f. T.M. said that GBUS used a third-party payroll company, but was not sure of the company's name. The prior

payroll company had not been allowing direct deposit of wages for employees because of cash flow issues. When GBUS switched to a new payroll company, GBUS set up direct deposit for its employees.[16] As cash flow got tighter at GBUS, direct deposit was rolled back. T.M. discussed rolling back direct deposit and reverting to paper checks with AVENATTI.

g. T.M. explained that after direct deposit was stopped in 2015, the payroll company would generate payroll checks on GBUS's stock checks. When GBUS had direct deposit, the payroll company would pull the funds for payroll and payroll taxes out of GBUS's payroll account on the Friday before the Monday payday. The money for payroll would therefore be gone immediately. Cancelling direct deposit gave GBUS "float time" until the employees' checks cleared the following week, meaning that the payroll funds would still be in GBUS's bank account and GBUS had more time to make funds available to pay the employees and its payroll taxes.

h. T.M. resigned his position at GBUS in large part due to payroll tax issues at GBUS and because he was concerned about his personal liability. Payroll was very tight and GBUS could not always meet its payroll obligations. On three or four occasions, T.M. loaned GBUS money so that it could cover the gaps in its payroll obligations. T.M. estimated that he loaned

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[16] Based on interviews with other GBUS witnesses, I learned that GBUS used Ceridian for its payroll services at all times. While T.M. appears to have been mistaken about GBUS's use of a prior payroll company, T.M.'s statements regarding direct deposit are consistent with statements made by other former GBUS employees.

GBUS $10,000 to $40,000 to meet its payroll obligations. This money was paid back prior to T.M.'s resignation.

i. On September 24, 2015, T.M. had a phone conversation with AVENATTI regarding the outflow of funds for that week. T.M. told AVENATTI that GBUS needed funds to pay its payroll taxes the next day. AVENATTI told T.M. not to count on that.[17] Based on AVENATTI's response, T.M. told AVENATTI that it would be his last day. He then emailed AVENATTI a resignation letter later that same day.

j. T.M. said that AVENATTI was aware that GBUS needed to pay its payroll taxes. T.M. specifically discussed GBUS's obligation to pay its payroll taxes with AVENATTI on more than one occasion.[18]

k. M.D. was the head of Human Resources and Payroll for GBUS. GBUS's IRS Forms 940 and IRS Forms 941 were normally filed by M.D. T.M. would be notified when they were filed.

l. T.M. was asked whether AVENATTI ever withdrew money from GBUS. T.M. said that money was flowing out of GBUS as early as August 2013. AVENATTI was a signer on GBUS's bank accounts, and there were frequent transfers from GBUS to EA LLP

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[17] As detailed in paragraph 22.b above, IRS records show that GBUS stopped making federal tax deposit payments to the IRS after the third quarter of 2015.

[18] During the discussion of GBUS's payroll tax obligations, T.M. began to mention a discussion he and AVENATTI had with a labor lawyer from Foster Pepper in early 2015. The AUSAs immediately instructed T.M. not to provide any information regarding the substance of his conversations with Foster Pepper. T.M. followed that instruction and did not provide any information regarding the substance of his discussions with GBUS's lawyers.

and from EA LLP to GBUS. T.M. said that none of the transfers to EA LLP were for legal services EA LLP provided to GBUS. AVENATTI would not tell T.M. in advance that he would be taking money out of GBUS's bank accounts -- the money would just be gone. M.B., GBUS's controller at the time, would tell T.M. when AVENATTI had taken money out of the GBUS bank accounts. When T.M. asked AVENATTI if he was going to stop taking money in and out of GBUS's bank accounts, AVENATTI responded that he did not foresee that happening. AVENATTI did not tell T.M. what the funds AVENATTI was taking out of GBUS's bank accounts were being used for. GBUS's accounting team tracked the money AVENATTI transferred into and out of GBUS.

m. T.M. initially had authority to sign company checks, which were cut whenever vendor invoices were due. By approximately March 2015, however, this had changed.[19] T.M. would provide AVENATTI with a list of vendors' invoices. Sometimes T.M. would make the decision to pay vendors on his own, and other times AVENATTI would approve the payments to vendors.

n. T.M. said that the daily operations of the Tully's stores went through GBUS. All cash receipts came from GBUS and everything happened under GBUS. T.M. did not recall any cash receipts coming from GB LLC.

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[19] Based on my review of GBUS bank account records, I know that in February 2015 GBUS opened two new accounts at CB&T. AVENATTI and REGNIER were the only signatories on these bank accounts.

o. T.M. said that the majority of GBUS's profits came from the Tully's stores at Boeing facilities. The commission payments to Boeing were delayed more than once because of working capital restrictions. T.M. had never heard of a company called "GB Hospitality," which was the name AVENATTI used on the Boeing contract in November 2016 (see ¶ 39.d).

p. T.M. is familiar with The Peoples Bank in Mississippi because of litigation that Cascade and AVENATTI worked on involving Mississippi Power. T.M., however, was not aware of AVENATTI obtaining a loan from The Peoples Bank. T.M. did not recall seeing any loan documents, and there was no debit or credit item for a loan from The Peoples Bank in GBUS's financial statements.

q. T.M. was also asked about GB Auto. T.M. said GB Auto was AVENATTI's racing team in IMSA. Money that was sent from GBUS to GB Auto would have been tracked by the accounting team. AVENATTI also signed GBUS up as a coffee sponsor for IMSA. AVENATTI used the Tully's logo on his race car and an employee would serve Tully's coffee at IMSA events. T.M. said that the IMSA expenses did not help with GBUS's operations.

r. T.M. did not know whether corporate tax returns for GBUS had been completed or filed. T.M. had arranged for GBUS to hire a tax accountant in Tampa, Florida, to prepare GBUS's tax returns. AVENATTI participated in meetings with the accountants by phone. The accountants provided GBUS with a list of documents that were needed to prepare the tax returns,

including a number of documents that would have been in AVENATTI's control. T.M. did not know if AVENATTI ever provided the required documents to the accountants.

s. AVENATTI had a GBUS email address, but T.M. always emailed AVENATTI at his EA LLP email address.

t. T.M. said that REGNIER was responsible for all of AVENATTI's administrative needs. REGNIER would have been copied on all emails to AVENATTI regarding GBUS's cash needs. T.M. understood that REGNIER had been with AVENATTI for a very long time.

u. T.M. was asked about a settlement agreement he entered into with AVENATTI and GBUS in 2018 relating to money GBUS still owed T.M. as part of his employment agreement. As part of the settlement, on or about October 2, 2018, T.M. received a $35,000 check from A&A's CB&T bank account, which bounced. T.M. guessed that the check was signed by REGNIER.

v. Prior to the interview with T.M., I learned that on or about October 31, 2018, T.M. filed a civil lawsuit against AVENATTI in the Superior Court of the State of Washington for King County for wrongful wage withholding; breach of contract; dishonored check; and fraud and misrepresentation. The civil complaint alleges that AVENATTI failed to pay T.M. money he was owed under his employment agreement with GBUS. In addition to the incentive payments mentioned in paragraph 25.b above, the complaint notes that AVENATTI had recently been quoted in a October 24, 2018, Seattle Times article as saying that he sold "Global Baristas . . . for $28 million a long time ago." T.M.

claimed that under the terms of his employment agreement, he would have been entitled to six percent of the sale proceeds above $9.15 million.

w. T.M. said he had never discussed selling GBUS with AVENATTI and does not know if AVENATTI ever sold GBUS.

26. On October 24, 2018, I participated in an interview of M.B., GBUS's former Controller. M.B. provided the following information:

a. In October 2013, M.B. began working at GBUS as its Controller. M.B. had been recruited by T.M., and interviewed for the position with T.M. and AVENATTI. She reported to T.M. M.B. worked full-time at GBUS until December 2015, and part-time at GBUS in January 2016.

b. M.B. managed GBUS's accounting department. M.B.'s role at GBUS included assessing and running the accounting systems, overseeing the financials, and looking at the day-to-day accounting figures.

c. AVENATTI was the owner and CEO of GBUS. M.B. did not know AVENATTI to be the General Counsel of GBUS.

d. AVENATTI would authorize payments for GBUS. M.B. would email T.M. and AVENATTI to ask what bills to pay. M.B. would usually get a response of approval from T.M., and sometimes from AVENATTI.

e. GBUS used Ceridian for its payroll services. Ceridian was initially responsible for paying the payroll taxes and preparing and filing the payroll tax returns. M.B. believed this was set up by T.M. or AVENATTI.

f. In the second or third quarter of 2015, AVENATTI directed Ceridian to stop paying GBUS's payroll tax withholdings and told Ceridian that GBUS would pay the payroll taxes itself. This gave GBUS float time for the payroll payments. M.B. explained that AVENATTI was the only signatory on GBUS's payroll account and that no one other than AVENATTI was empowered to pay the payroll tax withholdings. After this change, M.D. (GBUS's Human Resources and Payroll Director) was responsible for filing the payroll tax returns, and AVENATTI was responsible for paying the payroll tax withholdings. M.B. said the decision to change the payment process for GBUS's payroll tax withholdings with Ceridian was made by AVENATTI, and went from AVENATTI to T.M., and then from T.M. to M.D. M.B. believes that AVENATTI would have signed the forms authorizing the change with Ceridian.

g. For the third-quarter of 2015, Ceridian paid the net salary to GBUS employees, Ceridian prepared the IRS Form 941 payroll tax return, and GBUS was responsible for paying the payroll tax withholdings to the IRS. AVENATTI, however, would not approve the payment of the payroll tax withholdings. M.B. said that AVENATTI directed M.D. not to pay GBUS's payroll taxes for the third-quarter of 2015. M.D. was mortified by this directive and told M.B. about it.

h. M.B. documented AVENATTI's instruction not to pay GBUS's payroll taxes and sent AVENATTI an email explaining the ramifications of not paying the payroll taxes. AVENATTI did not respond to her email. When M.B. asked AVENATTI over the phone whether he had received her email, he responded that it was

"mine to deal with." M.B. did not believe she saved a copy of this email, and was unable to locate a copy of it in her personal emails following her interview.

i. M.B. remembered seeing emails from M.D. to AVENATTI requesting that AVENATTI approve the payment of the payroll tax payments. M.B. also sent similar requests to AVENATTI.

j. M.B. said that V.S. and B.C. from the accounting department knew that GBUS's payroll taxes were not being paid because they had access to GBUS's financials. M.E. from the human resources department also knew that the payroll taxes were not being paid. In fact, M.B. speculated that everyone in GBUS's corporate office knew about the payroll tax issues because the corporate office was small, and the employees were close on a professional level.

k. M.B. said the payroll tax issue was the "nail in the coffin" as to her decision to leave GBUS. She left GBUS a few months later in December 2015, and actually took a pay cut to leave GBUS. She said that AVENATTI's "moral compass didn't point north."

l. M.B. thought GBUS spent approximately $750,000 in connection with its IMSA sponsorship. GBUS was hemorrhaging money at the time and M.B. did not think the IMSA sponsorship was the best use of funds. Without the IMSA expenses GBUS would have been cash neutral and in a better financial position. M.B. considered the IMSA sponsorship to be a "vanity" decision by AVENATTI.

m. M.B. said that AVENATTI would frequently transfer money in and out of GBUS's bank accounts. This happened for months. M.B. would login into GBUS's bank accounts and see wires to and from EA LLP or A&A. M.B. would reconcile the bank accounts every day and tracked the funds deposited or withdrawn by AVENATTI. M.B. said the amount AVENATTI deposited was likely more than the amount he withdrew, but that if you included the money AVENATTI spent on IMSA he would likely have owed GBUS money. M.B. said that AVENATTI's deposits and withdrawals from GBUS's bank account had an impact on GBUS's operations. GBUS was operating with a cash loss and some of the money AVENATTI withdrew could have been used to pay vendors.

n. AVENATTI would wonder why GBUS was short on cash. In response, M.B. would prepare cash reports and give them to AVENATTI.

o. M.B. said that AVENATTI's law firm was not an investor in GBUS. There were no invoices between the law firm and GBUS, and no formal loan documents between GBUS and AVENATTI's law firm.

p. M.B. would send emails to AVENATTI at his EA LLP email address. M.B. would typically communicate with AVENATTI via email or by phone. M.B. only saw AVENATTI a few times a year.

q. REGNIER was the right hand person for AVENATTI at his law firm. M.B. dealt with REGNIER a few times when M.B. needed AVENATTI to get something done for GBUS. REGNIER would get AVENATTI to take action at M.B.'s request.

27. On October 24, 2018, I participated in an interview with M.D., GBUS's former human resources and payroll director. M.D. provided the following information:

a. M.D. started working at Tully's in 2000 in the payroll department. He worked for Tully's when it was sold to TC Global in 2008, and stayed on after AVENATTI bought TC Global out of bankruptcy. His job duties at GBUS included overseeing payroll, human resources, and facilities. M.D. resigned from GBUS in November 2015. M.D., however, worked part-time at GBUS until April 2016 to help with payroll.

b. GBUS used Ceridian to handle its payroll the entire time that M.D. worked for GBUS. Payroll was on Mondays, so the funds would need to be available in GBUS's payroll account on the prior Thursday or Friday. In 2013 and 2014, Ceridian was a full service payroll processor for GBUS. Ceridian's services during this time included direct deposit drawn on Ceridian's bank account, withholding, tax filings, and W-2s, among other things. These were the services provided for the first year-and-a-half, at which point T.M. instructed M.D. to stop the direct deposit service. Thereafter, payroll was no longer paid from Ceridian's bank account, but instead from GBUS's payroll bank account. The checks were still cut by Ceridian, but the money was drawn on GBUS's payroll bank account.

c. M.D. said another change occurred in the summer of 2015, when the wires to pay the payroll taxes were not approved. Ceridian requested the payroll tax money and the

payment did not get approved by GBUS. M.D. recalled telling M.B. that he had been notified by Ceridian about the non-payment of the payroll taxes by GBUS. M.D. did not know if the payroll tax payments were ever made to Ceridian.

d. M.D. said that a couple of times the payroll payments to Ceridian were late. After a while, Ceridian told M.D. that it was no longer going to make payroll payments due to GBUS failing to pay Ceridian on time. Ceridian was also no longer filing GBUS's payroll tax returns. M.D. told M.B. about this, who then told T.M. and AVENATTI.

e. M.D. said that bi-weekly payments to the IRS stopped once the Ceridian services and payments were discontinued. He believed that AVENATTI, not T.M., made the ultimate decision to terminate Ceridian's services.

f. In the third quarter of 2015, GBUS's payroll tax payments were not made because AVENATTI did not approve the payments. M.B. told M.D. that AVENATTI did not approve the tax payments.

g. M.D. said he started looking for a new job because of the lack of payroll tax payments. He thought it was "unethical" that payroll tax payments were not being made even though GBUS was withholding taxes from GBUS employees. He was concerned someone would blame him so he started looking for a new job. He described GBUS's failure to pay its payroll taxes as the final straw in his decision to leave GBUS because he believed GBUS had the fiduciary responsibility to pay the IRS. M.D. ultimately took a pay cut to leave GBUS for another job.

h. M.D. did not know if the payroll tax payments for the third or fourth quarter of 2015 were ever paid by GBUS. M.D., however, said that the payroll tax payment requests would have been sent to GBUS's accounting team. M.D. would send check requests for the state and federal tax payments to V.S.

i. M.D. shared his concerns regarding the payroll tax issues with M.B., because T.M. had already left GBUS at the time.

j. M.D. understood that M.B. was speaking to AVENATTI about the payroll taxes that needed to be paid. M.B. told him about her discussions and communications with AVENATTI regarding the payroll tax issues.

k. M.D. believed that he, M.B., and M.E., who worked for him in the human resources and payroll department, were the only employees that knew GBUS was not paying its payroll taxes.

l. M.D. believed that AVENATTI and T.M. were signatories on the GBUS bank accounts. M.D. said that no checks could be cut without AVENATTI's approval.

m. M.D. considered AVENATTI to be the owner, President, and CEO of GBUS. This is how AVENATTI presented himself. M.D. did not consider AVENATTI to be GBUS's General Counsel, and never heard AVENATTI refer to himself as GBUS's General Counsel. M.D. was not aware of GBUS ever hiring EA LLP to perform any legal services for GBUS.

n. M.D. had limited interactions with AVENATTI during his time at GBUS. M.D. had seen AVENATTI only four or five times. He did not recall having any significant

conversations with AVENATTI or any one-on-one phone calls with him. M.D. typically interacted with T.M. and M.B.

o. M.D. emailed AVENATTI approximately 10 times at his EA LLP email address. AVENATTI had a GBUS email address, but did not use it.

p. M.D. was scared of AVENATTI when he worked at GBUS because he did not want to be personally sued. M.D. respected AVENATTI at first, but over time he no longer trusted AVENATTI and became concerned that AVENATTI would sue him for anything. M.D. also expressed concern that AVENATTI might attempt to retaliate against him if he learned that M.D. was cooperating with the government's investigation.

28. On October 22, 2018, I participated in an interview of B.H., GBUS's former Director of Operations. B.H. provided the following information:

a. From early 2014 to early 2016, B.H. worked at GBUS as its Director of Operations. T.M. recruited B.H. for the position because they had previously worked together at Cascade. B.H. met with T.M. and AVENATTI before accepting the position.

b. As Director of Operations, B.H. was responsible for overseeing the district managers, dealing with store-related issues, and dealing with IMSA-related issues. The individual store managers reported to the district managers, and the district managers reported to B.H. B.H. said 90 percent of their focus was on reaching the stores' revenue goals.

c. B.H. knew AVENATTI as the owner and head of GBUS. AVENATTI's role at GBUS was to make major decisions, such as decisions regarding finances and lease agreements.

d. B.H. was aware that AVENATTI was a lawyer. B.H.'s legal experience with AVENATTI related to a dispute between GBUS and Green Mountain. B.H. said that if there was a legal issue, AVENATTI handled it. B.H. had no knowledge of AVENATTI's law firm doing any work for GBUS.

e. B.H. said payroll time was stressful at GBUS because cash was always tight. B.H. heard rumors around the office that GBUS was not paying payroll taxes. B.H. thought he heard these rumors from T.M., M.B., and M.D. when he discussed the need to pay bonuses to GBUS's district managers. B.H. said he did not have first-hand knowledge of GBUS not paying taxes, but stated that not paying taxes went into the "barrel of bad," and believed that AVENATTI would have been aware of such issues.

f. The Tully's stores at Boeing facilities were a very important part of business for GBUS. AVENATTI was aware of this. B.H. dealt with the paperwork for the GBUS stores at Boeing. B.H. had never heard of the name GB Hospitality, which was the name AVENATTI used on the Boeing contract in November 2016 (see ¶ 39.d). The only name B.H. was aware of was GBUS.

g. B.H. spoke with AVENATTI about once or twice a month, and saw AVENATTI once a month at most. Most of B.H.'s conversations with AVENATTI related to the IMSA sponsorship. B.H. said he never understood why AVENATTI wanted to have GBUS at IMSA when GBUS already had enough problems. B.H. felt that

GBUS was losing money on the IMSA sponsorship, and said that AVENATTI could have been using the money he spent on IMSA on coffee supply.

h. B.H. said he left GBUS because AVENATTI did not follow through on the future plans for GBUS. AVENATTI did not reinvest into the company and the stores were failing. B.H. said there was a "steady bleeding" of GBUS and AVENATTI placed "band aids" on it. The big reason B.H. decided to work for GBUS was AVENATTI's promise of growing the business, but this never happened. B.H. assumed T.M. left for similar reasons.

i. GBUS stored its corporate records on a server hosted by Amazon Web Services ("AWS").

j. B.H. would call REGNIER to schedule things with AVENATTI.

29. On October 22, 2018, I participated in an interview with V.S. V.S. provided the following information:

a. V.S. started working at Tully's Coffee Inc. in 2003 or 2004. He worked for Tully's Coffee Inc., TC Global, and then eventually GBUS. He resigned from GBUS on September 18, 2018. V.S. stopped working for GBUS because his paycheck bounced.

b. V.S. became the Assistant Controller when GBUS bought out TC Global. V.S. then became the Controller when M.B. left GBUS in 2015 or 2016.

c. V.S. knew AVENATTI to be the owner and operator of GBUS. AVENATTI was the CEO, and T.M. was the CFO.

d. When he was Assistant Controller, V.S. reported to M.B. For financial decisions, M.B. reported to T.M., who in turn reported to AVENATTI. AVENATTI was T.M.'s boss.

e. V.S. said that AVENATTI was not physically present at GBUS's corporate office, but was actively involved in operating the company. T.M. would relay messages to AVENATTI regarding the day-to-day operations of the company.

f. After T.M. left GBUS, AVENATTI communicated with M.B. and B.H. regarding GBUS's day-to-day operations. Once M.B. left, V.S. reported directly to AVENATTI, who was effectively the head of the financial department. V.S. communicated with AVENATTI by email 90 percent of the time and by phone 10 percent of the time. AVENATTI used his EA LLP email address, rather than his GBUS email address.

g. When T.M. left GBUS, he received bonus and severance pay from GBUS. AVENATTI authorized those payments, and REGNIER handled the wire transfers. V.S. saw the wires on the bank account records, but did not have wiring authority for GBUS's bank accounts.

h. V.S. would email AVENATTI cash reports daily. V.S. said that the accounts payable department wanted bills to be paid weekly, but there was never enough money to pay all of the bills.

i. AVENATTI moved money in and out of GBUS bank accounts on a regular basis. This happened from the beginning of GBUS's operations. V.S. had access to GBUS's bank account

records. V.S. saw the movement of funds when he would do the bank account reconciliations for GBUS.

j. V.S. said he reported to AVENATTI because AVENATTI was the CEO and owner of GBUS. V.S.'s primary discussions with AVENATTI were about what bills to pay and what was in the bank account. V.S. said he often could not tell how much money was in the bank accounts because money moved in and out frequently.

k. V.S. said he asked AVENATTI for supporting documents for some bank account activities once or twice. AVENATTI's response was that he was the CEO and owner, and that he makes the final decisions.

l. V.S. described the accounts payable process. V.S. said that the invoices were entered into the accounting system. A list of invoices that were due soon was sent to AVENATTI. AVENATTI would then decide which invoices were to be paid and which invoices were to have their payments held off. AVENATTI would tell S.F. to cut a check for the invoice payments he approved. For the invoices AVENATTI did not approve, V.S. would wait another week and then bring the invoices up to AVENATTI again. If payment of the outstanding invoices became more imperative, V.S. would bring the issue to AVENATTI's attention more quickly. V.S. said he knew what invoices needed to be paid, but still needed AVENATTI's approval to pay the invoices.

m. Ceridian handled the payroll for GBUS. Ceridian was also responsible for paying the payroll tax withholdings on

behalf of GBUS. In approximately 2015 or 2016, however, GBUS had Ceridian stop paying the payroll tax withholdings. V.S. did not know why this change occurred.

n. V.S. said that GBUS did not pay the payroll tax withholdings. Ceridian would calculate the payroll withholdings, and M.E. would book the accounting entry in Microsoft Dynamics Nav, GBUS's accounting software. M.E. would email AVENATTI, with a copy to V.S., the amount needed to pay the payroll tax withholdings. AVENATTI would respond by saying that he would take care of it. V.S. said that AVENATTI knew that the payroll tax withholdings were not being paid to the IRS before RO 1 first showed up to GBUS's corporate office in October 2016. V.S. said AVENATTI made the decision not to pay the payroll tax withholdings and no one else at GBUS could have made that decision.

o. V.S. said that the State of Washington also contacted GBUS and AVENATTI regarding GBUS's failure to pay state tax withholdings.

p. IRS notices and levies were received at GBUS's corporate office, and then emailed to AVENATTI. V.S. said that AVENATTI did not respond to the IRS notices or the levies. Initially, the IRS notices and levies GBUS received were sent to AVENATTI only, but later the IRS notices and levies were sent to AVENATTI and REGNIER.

q. V.S. said that AVENATTI knew what was levied because the bank made notations of what money was levied on the

bank account statements.[20] V.S. also emailed AVENATTI daily cash reports that included the levy notations.

r. After GBUS's bank account at KeyBank was levied, AVENATTI told M.G. to hold cash deposits at the stores. The cash deposits were collected, brought to the office to be counted, and then deposited to a different bank account with a different account name. M.G. would forward a copy of the deposit slips to AVENATTI. This made V.S. feel uncomfortable because he thought it was being done to avoid the levies. V.S. discussed this with M.G., who eventually stopped collecting and depositing cash for GBUS.

s. V.S. had never heard of GB Hospitality except seeing it on the November 2016 contract with Boeing. V.S. had been given a copy of the contract. There were not separate books and records for GB Hospitality, and V.S. did not think GB Hospitality was registered. The revenue from the Boeing stores was transferred into a GBUS account, and not to a GB Hospitality account.

t. GBUS had to make quarterly commission payments to Boeing. V.S. said that some of the commission payments were late. M.G. told V.S. that AVENATTI justified the late payment by saying that the wire transfer had been lost, but V.S. did not see a wire out of the GBUS accounts' payable account that corresponded to when AVENATTI had said the wire to Boeing had been lost.

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[20] I have reviewed bank records for GBUS's bank accounts at CB&T and KeyBank, and confirmed that the monthly account statements referenced the IRS levies.

u. V.S. was aware that there were different company names for Global Baristas on contracts, but V.S. did not want to question AVENATTI about the different company names. One of the reasons V.S. thought there were different company names listed for Global Baristas on contracts was to avoid liens and levies.

v. In September or early-October 2017, GBUS changed its merchant IDs for its merchant accounts with TSYS. The change was made at AVENATTI's direction. AVENATTI wanted to make the change fast, and dealt directly with a representative from TSYS ("TSYS Rep. 1") to make the change.

w. V.S. reviewed an October 2, 2017, email from TSYS Rep. 1 to V.S. in which TSYS Rep. 1 wrote the following:

> Michael Avenatti called me on Friday. The accounts should be under Global Baristas LLC, not Global Baristas "US" LLC. We have to make changes as the IRS with [sic] withholding funds. Michael has asked that I rush this as much as possible.

After reviewing this email, V.S. said that AVENATTI had instructed V.S. to give him TSYS Rep. 1's contact number. V.S. also said that AVENATTI knew the purpose of the change was to avoid the IRS liens and levies. V.S. said that changing the merchant IDs was a big deal because every store had to be changed. The new merchant IDs was also associated with a different bank account.

x. V.S. said that TSYS later dropped GBUS as a client, at which point GBUS changed its merchant accounts from TSYS to Chase. V.S. reviewed the Chase merchant account application, which listed Doppio Inc. as the parent company of GB LLC. V.S. did not know the purpose of Doppio, did not

believe Doppio owned GBUS, and said that GBUS had never done any work for Doppio.

y. V.S. knew that AVENATTI was a lawyer and owned EA LLP. V.S. never saw AVENATTI as the General Counsel of GBUS. He only heard from reports in the media that AVENATTI was the General Counsel for GBUS.[21]

z. AVENATTI's salary at GBUS was approximately $250,000 a year, and it was the highest salary at GBUS. AVENATTI was paid this salary as the CEO of GBUS. AVENATTI was not paid as a lawyer. The money that AVENATTI was transferring in and out of GBUS's bank account was not compensation to AVENATTI or his law firm. Some money went to EA LLP, but GBUS never received an invoice from EA LLP. V.S. believed that there was more outflow than inflow of cash from EA LLP into GBUS's bank account.

aa. V.S. remembered a $100,000 wire being sent to EA LLP in March 2017. V.S. said that REGNIER sent the wire from GBUS's bank account to EA LLP. Based on my review of EA LLP's bank account records, I know that AVENATTI used the proceeds of this $100,000 wire transfer to pay EA LLP's lawyers in connection with the EA LLP bankruptcy.

bb. V.S said that the last Tully's stores closed in March 2018. After that, there was no work to be done. V.S. was waiting to find out what the next plan of action would be for

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[21] After the Clifford lawsuit was filed, a number of press articles regarding AVENATTI and GBUS appeared. In some of these articles, AVENATTI or a GBUS spokesperson were quoted as saying that AVENATTI no longer owned GBUS and was only acting as its General Counsel.

GBUS, but never heard from GBUS. M.E. emailed AVENATTI to ask him to lay off the remaining GBUS employees after the last Tully's stores closed, but never heard back from AVENATTI. As a result, M.E. kept the remaining employees on payroll. GBUS's payroll continued to be funded until September 2018, at which point V.S. and the remaining employees' checks bounced.

cc. GBUS's accounting records were stored in the cloud. In April or May 2017, V.S. asked A.G. to back up GBUS's accounting data from the cloud because 2nd Watch (the company that managed GBUS's cloud-based server from AWS) was discontinuing GBUS's services.

30. On September 25, 2018, I participated in an interview with M.E., GBUS's former Human Resources Director. M.E. provided the following information:

a. M.E. started working for Tully's (i.e., TC Global) in 2009 as a temporary employee. M.E. became the human resources coordinator in 2010 and the payroll coordinator at the end of 2013. M.E. was promoted to Human Resources Director in April 2016 after M.D. left GBUS. M.E. resigned from GBUS in September 2018 after her payroll paycheck bounced.

b. AVENATTI was the owner and manager of GBUS. At one point, AVENATTI said he was the Chairman and CEO. AVENATTI received payroll paychecks in his capacity as the CEO of GBUS. AVENATTI made $250,000 per year as the CEO and Chairman of GBUS.

c. AVENATTI was the final decision maker for GBUS. M.E. would copy REGNIER on emails to AVENATTI to make sure that

AVENATTI saw the emails. M.E. emailed payroll figures to AVENATTI every other week.

d. M.E. said that S.F. and V.S. would send AVENATTI emails regarding accounts payable, and AVENATTI would tell them what they could or could not pay.

e. M.E. never heard AVENATTI refer to himself as the General Counsel of GBUS. M.E. never dealt with AVENATTI as the company's lawyer. M.E. said that GBUS was AVENATTI's company and that AVENATTI happened to be a lawyer. M.E. read in the newspaper that AVENATTI said he was the General Counsel of GBUS, but not the owner. When M.E. read that statement, she laughed in disbelief. No one at GBUS knew or was aware of AVENATTI being GBUS's General Counsel.

f. M.E. once dealt with AVENATTI on a tricky personnel issue. M.E., however, said that if AVENATTI had not been a lawyer she would have still brought the issue to him in his capacity as CEO. M.E. also believed that AVENATTI may have given legal advice regarding employee issues, employee policies, and the employee guidebook for GBUS. M.E. was not aware of AVENATTI handling any other legal issues for GBUS.

g. M.E. knew that GBUS had not been paying its payroll taxes to the IRS. M.E. said that AVENATTI did not pay the payroll withholdings, but still withheld taxes from the employees' payroll checks.

h. M.D. told M.E. that Ceridian stopped paying the payroll withholdings because GBUS did not have the funds to pay the withholdings. M.E. thought that M.D. was preparing the

federal payroll tax returns, but not filing them. M.E. said that M.D. believed that payroll tax returns could not be filed without paying the tax liabilities.

i. M.E. found out later that GBUS's federal payroll tax returns for the third-quarter of 2015 and subsequent quarters had not been filed with the IRS. AVENATTI asked M.E. to sign and file the IRS Forms 940 and IRS Forms 941 for 2015 and 2016. M.E. did not feel comfortable doing so and thought there might be negative implications for her, but signed the returns because she did not think she was responsible for them. M.E. sent AVENATTI the returns at the same time as she filed them with the IRS. There were no payments made with the returns. M.E. informed the accounting team, V.S. and S.F., of the amounts of payroll taxes owed.

j. M.E. learned from M.D. and V.S. that M.B. sent AVENATTI an email explaining to him the consequences of GBUS not paying its payroll taxes.

k. M.E. spoke with REGNIER twice on the phone in 2017 when she filed GBUS's IRS Forms 940 and IRS Forms 941s with the IRS. M.E. said that REGNIER knew how to file the forms online, but REGNIER wanted to mail the forms instead. AVENATTI instructed M.E. to sign the forms.

l. M.E. was interviewed by RO 1 in November 2017. M.E. spoke to AVENATTI a few days later, and told AVENATTI everything that she had told RO 1. When M.E. told AVENATTI that she had told RO 1 that AVENATTI instructed her not to file the tax returns, AVENATTI was shocked. M.E. then reminded AVENATTI

that he had sent her an email telling her not to file the tax returns.

m. M.G. told M.E. that the merchant accounts had changed, but M.G. did not understand why the change had been made.

n. V.S. told M.E. that AVENATTI had instructed him to change the bank account for GBUS.

o. M.E. took part in collecting cash deposits from the Tully's stores. M.E. would help M.G. count the cash that had been collected. Store managers were told to hold all the cash from the stores, and then the GBUS's district managers were supposed to collect the cash. This occurred in late 2017 or early 2018 when the Tully's stores were being closed down. M.G. told M.E. that the directive to hold the cash deposits came from AVENATTI. M.E. also said that the IRS liens were common knowledge throughout GBUS when the stores were holding the cash deposits.

p. When the last Tully's stores closed in approximately March 2018, M.E. emailed AVENATTI to ask him what the next step was. AVENATTI did not respond. M.E. did not understand why employees were still being paid until September 2018 or why GBUS was still operating after the stores closed. M.E. wasn't doing much for GBUS during this time period other than processing unemployment claims and payroll. M.E. was on "autopilot" and was just processing the payroll every week. This continued until September 2018, when her last paycheck from

GBUS bounced. M.E. did not know how AVENATTI was paying for payroll after the stores closed.

31. On September 26, 2018, I participated in an interview of M.G., GBUS's former Director of Retail Operations. M.G. provided the following information:

a. M.G. started working at Tully's as a barista in 2004 and became a store manager in 2005. In approximately 2012, M.G. became a District Manager and was responsible for the Tully's stores at Boeing facilities. In March 2016, M.G. became the Director of Retail Operations. M.G. resigned her position at GBUS in April 2018, after the last of the Tully's stores closed. M.G.'s sister, S.F., also worked for GBUS.

b. AVENATTI was the owner, CEO, and Chairman of GBUS. As the Director of Retail Operations, M.G. reported to AVENATTI.

c. M.G. never heard AVENATTI referred to as the General Counsel for GBUS, and did not consider AVENATTI to be GBUS's General Counsel. M.G.'s interactions with AVENATTI involved standard business decisions, and were not legal discussions. M.G. was also unaware of AVENATTI's law firm being hired to represent GBUS. M.G. said that she asked AVENATTI for legal advice regarding eviction notices, legal documents, and the firing of a store manager on one occasion. She discussed these issues with AVENATTI because he was the owner of the company, not because she considered him to be GBUS's General Counsel.

d. GBUS was the operating company for the Tully's stores, and GB LLC was GBUS's parent company.

e. Ceridian handled the payroll for GBUS. M.E. told M.G. that Ceridian also handled the payment of payroll taxes until there was not enough money in GBUS's accounts to make the tax payments. At that point, GBUS was responsible for paying its payroll taxes itself.

f. M.G. had heard that GBUS was not paying its payroll taxes. M.G. believes that B.H. told her that GBUS's payroll taxes were not being paid. M.G. also saw an email from M.B. that warned AVENATTI about the consequences of not paying taxes. M.G. believes that B.H. was copied on this email and that she saw it because she had access to B.H.'s emails after he left GBUS in 2016.

g. In connection with discussions to renew a lease for GBUS's training facility in 2016, M.G. forwarded an email to AVENATTI about an IRS lien relating to unpaid taxes. M.G. told AVENATTI that these things needed to be addressed to move forward. AVENATTI asked her how she learned about the lien, told her that it had nothing to do with GBUS's revenues, and said it was not her concern.

h. M.G. spoke with M.E. and V.S. about AVENATTI not paying the payroll taxes and withholdings. M.G. felt that AVENATTI's actions were questionable, and that she needed to make sure she would not be held personally responsible. M.G. was worried that it would be her word against AVENATTI's word, so she backed up her work files on her personal laptop in case

she needed them for proof down the road. As noted in paragraph 79 below, I understand that these records are contained on SUBJECT DEVICE 3.

i. Around September 2017, either AVENATTI or REGNIER told M.G. that the Tully's stores could no longer make deposits into GBUS's KeyBank account because there was a lien on the account and the money would be gone. M.G. was instructed to tell the Tully's stores to hold all of their cash deposits. AVENATTI later instructed M.G. to deposit the cash from Tully's stores into GB Auto's account at BofA. M.G. said that AVENATTI texted her GB Auto's bank account information and instructed her to text him a picture of the deposit slip whenever she made a cash deposit.

j. On or about September 7, 2017, M.G. sent AVENATTI a text message with a picture of the deposit slip for the first deposit she made to the GB Auto account. M.G. continued to send AVENATTI a picture of the deposit slip whenever she made a cash deposit into the GB Auto account. M.G. would give the physical copy of the deposit slip to V.S. M.G. said that the last deposit was made in December 2017, at which point she told AVENATTI that she was not going to make any more cash deposits into the GB Auto account. After this, the Tully's stores began depositing cash into a KeyBank account again.

k. M.G. was shown a spreadsheet detailing approximately 27 cash deposits made into GB Auto BofA Account 7412 between September 2017 and December 2017, totaling

approximately $882,884. M.G. confirmed that these were the cash deposits she made at AVENATTI's direction.

l. M.G. said that she was aware of the IRS liens and GBUS's non-payment of payroll taxes and withholdings when she made the first cash deposit into GB Auto BofA Account 7412.

m. M.G. was asked about the change in the merchant accounts for the Tully's stores. M.G. said that GBUS's merchant accounts were initially with TSYS. When TSYS eventually terminated its agreement with GBUS, GBUS switched its merchant accounts to Chase. M.G. understood that the change in the merchant IDs for the TSYS merchant account was made at AVENATTI's direction. M.G. said nobody at GBUS other than AVENATTI could make that type of decision. V.S. told M.G. that the change in the merchant IDs for the TSYS account was done because of the liens on the account.

n. M.G. was responsible for overseeing the Tully's stores at Boeing facilities. The Boeing stores were GBUS's most profitable stores.

o. M.G. was shown a redlined draft of the November 2016 contract with Boeing in which the name of the contracting party had been changed from GBUS to GB Hospitality. M.G. said that AVENATTI handled the Boeing contract. When M.G. asked AVENATTI about this change, he told her not to worry about it. M.G. and V.S. looked to see if GB Hospitality was a Global Baristas subsidiary, but couldn't find a record of it anywhere. The Boeing contract was only time M.G. ever saw the name GB Hospitality.

p. The Boeing contact was cancelled in September 2017. M.G. understood that the contract was cancelled because GBUS had not paid Boeing the commissions GBUS owed. In connection with the cancellation of the contract, GBUS agreed to sell certain equipment to Boeing as payment for the unpaid commissions GBUS owed Boeing. Separately, GBUS agreed to sell two coffee kiosks to Boeing. M.G. was shown redline drafts of the two bills of sale for these transactions, in which the name GB Hospitality had been replaced with GB LLC. M.G. did not know who made that change. M.G. had received copies of the two bills of sale from Boeing and shared them with V.S.

q. GBUS was evicted from its corporate headquarters in Seattle, Washington, in November 2017. All of GBUS's business records stayed at the corporate office when GBUS was evicted. AVENATTI said he would deal with getting the business records back.[22]

r. M.G. told AVENATTI about the summons she received from RO 1 in November 2017 and sent him a copy of the summons. AVENATTI called M.G. and asked her if she went to the hearing to which she had been summonsed, what documents she brought to the hearing, and what was said in the hearing. When M.G. told AVENATTI she brought documents regarding the change in GBUS's bank accounts, AVENATTI was livid. AVENATTI told her that she

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[22] Based on my discussions with representatives from Unico, which served as the property manager for GBUS's corporate offices, I learned that GBUS's property, including any remaining business records, were abandoned and either sold at auction or destroyed.

should not have given the records to RO 1, and should have instead sent them to AVENATTI.

s. As of January 2018, it was getting more difficult to get answers from AVENATTI. M.G. began copying REGNIER on emails because AVENATTI was passing GBUS matters on to REGNIER.

t. M.G. was aware that in March 2018 AVENATTI made statements to the press indicating that he was not the owner of GBUS. M.G.'s understanding was that AVENATTI had always been GBUS's owner and believed these statements to be false. On March 8, 2018, M.G. sent AVENATTI a text message confronting him. M.G. asked AVENATTI if he was not the owner of GBUS, then who should she go to for GBUS business decisions. AVENATTI responded that everything still went through him and that M.G. should discuss all matters with him.

u. Sometime after the Tully's stores closed in March 2018, AVENATTI called M.G. and yelled at her because a store manager had released confidential information to the press. AVENATTI told M.G., "I will fucking destroy him." AVENATTI also said that if he was willing to sue the President then he was willing to sue an employee. After that conversation, M.G. felt that AVENATTI was no longer responsive to GBUS employees.

v. During her interview, M.G. consented to have the IRS retrieve text messages between her and five specific contacts that were stored on her personal cell phone, including all text messages between her and AVENATTI. IRS SA John Medunic captured images of the text messages, returned the phone to M.G., and then mailed a copy of the images to the Privilege

Review Team AUSA assigned to this investigation. I understand that a privilege review of the text messages is ongoing.

32. On or about September 25, 2018, I participated in an interview of S.F., GBUS's former Accounts Manager. S.F. provided the following information:

a. S.F started working for Tully's in 2008, but eventually resigned due to health reasons. In December 2013, S.F. returned to work for GBUS as an assistant store manager. In October 2015, S.F. became the office manager at GBUS's corporate headquarters. In September 2016, she was promoted to Accounts Manager and Franchise License Business Manager. S.F. resigned in September 2018, after her last paycheck bounced. S.F.'s sister, M.G., also worked at GBUS.

b. S.F.'s role as Accounts Manager was to enter vendor invoices into GBUS's accounts payable system. Most invoices for GBUS went through S.F. S.F. had little involvement with account receivables.

c. S.F. understood that AVENATTI was the CEO and owner of GBUS. AVENATTI operated GBUS from EA LLP's office in Newport Beach, California. S.F. used AVENATTI's EA LLP email address to communicate with him. S.F. only met AVENATTI once and did not speak to him frequently.

d. S.F. never saw AVENATTI act as the General Counsel for GBUS. S.F. also did not prepare any payments to AVENATTI's law firm. The first time S.F. heard AVENATTI referred to as General Counsel was in connection with statements AVENATTI made to the press in 2018.

e. M.G. told S.F. that GBUS was not paying its payroll taxes. S.F. recalled seeing a detailed email to AVENATTI explaining the consequences of GBUS not paying its payroll taxes.

f. S.F. recalled RO 1 visiting GBUS's corporate offices in the fall of 2017. RO 1 gave S.F. a letter during his visit. S.F. remembered that the letter referenced a possible criminal prosecution. S.F. said that she either scanned the letter and emailed it to AVENATTI or typed out its contents in an email to AVENATTI. S.F. spoke to AVENATTI later that day. AVENATTI seemed rattled and concerned. AVENATTI asked what RO 1 wanted, what RO 1 had asked, what S.F. told RO 1, and whether RO 1 came with other people. At the end of the conversation, AVENATTI thanked her for letting him know about the visit, and asked her to keep the situation between the two of them.

g. S.F. was aware of the IRS levies on the GBUS bank accounts because she had access to GBUS bank account information. S.F. said that the State of Washington had also placed levies on GBUS's bank accounts at one point.

h. REGNIER worked at EA LLP, and was AVENATTI's paralegal and assistant. S.F. said the best way to get a hold of AVENATTI was through REGNIER.

i. When GBUS received IRS notices, S.F. scanned and emailed the notices to AVENATTI and REGNIER.

j. S.F. was aware that AVENATTI told M.G. to collect the cash deposits from the Tully's stores and deposit the cash into a bank account held in the name of GB Auto.

k. S.F. was aware that GBUS had changed its merchant accounts with TSYS. The company associated with the TSYS merchant accounts was changed from GBUS to GB LLC. S.F. assumed this was done to avoid liens. Later, GBUS switched its merchant accounts from TSYS to Chase.

l. S.F. heard from V.S. that AVENATTI was withdrawing money from GBUS's bank account.

m. In November 2017, GBUS was evicted from its corporate offices in Seattle, Washington. The locks were changed and GBUS did not have an opportunity to move out of the office.

n. GBUS used Microsoft Dynamics NAV for its accounting software. The information was stored in an AWS cloud-based server through a company called 2nd Watch. In approximately May 2018, GBUS lost access to its cloud-based server.

33. On November 14, 2018, I participated in an interview of B.C., who previously worked in GBUS's accounting department. B.C. provided the following information:

a. B.C. started working for TC Global/Tully's in 2011 or 2012 as a contractor setting up its point-of-sales ("POS") system. After GBUS took over Tully's stores, T.M. asked B.C. to come back and help with other projects. B.C. worked part-time (20 to 25 hours a week) for GBUS until September 2018 when her final paycheck bounced. B.C. primarily worked remotely from her home.

b. B.C.'s primary role at GBUS was to pull reports for month end sales and book them into the correct accounting entries. B.C. pulled credit-card-sales data, tax-sales data, and reports from the POS system, then inputted this data into the general ledger. At the end of the month, she reconciled cash to sales figures. B.C. reported to M.B. until M.B. resigned. After M.B. resigned, she reported to V.S.

c. AVENATTI was GBUS's CEO. AVENATTI appointed T.M. as the CFO and COO. M.B. was GBUS's Controller. B.C. understood from M.B. that AVENATTI was very involved in the financial aspects of GBUS, and approved payments and contracts for GBUS.

d. B.C. did not consider AVENATTI to be GBUS's lawyer.

e. B.C. had seen AVENATTI before, but had never been introduced to him. She never had a direct conversation with him. Although she had been copied on emails to or from AVENATTI, she never had direct email communications with AVENATTI.

f. GBUS changed the location of its bank accounts from HomeStreet to CB&T. Cash deposits were made at KeyBank while GBUS was banking with CB&T. B.C. did not have direct access to bank reports from CB&T, and would instead receive the reports from M.B. or V.S. B.C. had access to the KeyBank account, and would pull reports from the KeyBank account to do the cash reconciliation.

g. GBUS used Ceridian for payroll services. Ceridian used to handle the payroll taxes for GBUS, but later GBUS handled the payroll taxes on its own.

h. B.C. knew that GBUS was not paying its payroll taxes. B.C. knew there were levies on all of the GBUS bank accounts because she reconciled the bank accounts. V.S. told B.C. what the levies were for, but did not go into great detail. V.S. told B.C. that GBUS owed the IRS millions of dollars, that AVENATTI was aware of this, and that AVENATTI had decided not to pay the IRS.

i. B.C. said that anything and everything was sent to AVENATTI. AVENATTI made all of the decisions for GBUS and no other employees had authority to make decisions. AVENATTI approved all account payable checks, and all GBUS checks had AVENATTI's signature.

j. In 2015, GBUS switched its merchant accounts from Heartland to TSYS. TSYS Rep. 1 was GBUS's sales representative at TSYS.

k. B.C. was asked about an email TSYS Rep. 1 sent her on October 2, 2017 in which TSYS Rep. 1 said:

> Michael Avenatti called me on Friday. The accounts should be under Global Baristas LLC, not Global Baristas "US" LLC. We have to make changes as the IRS with [sic] withholding funds.

B.C. explained that if the merchant IDs were changed, then the credit card terminals at each Tully's store would need to be reprogrammed. B.C. did not understand why AVENATTI would want to make this change. TSYS Rep. 1 told B.C. that AVENATTI had

claimed that the merchant IDs were supposed to be under GB LLC's name and EIN, rather than GBUS's name and EIN. AVENATTI had called TSYS Rep. 1 and authorized the name change. B.C. believed this change was made to alter the banking deposits and avoid the IRS levies, which were occurring at the same time.

l. TSYS Rep. 1 provided B.C. with the paperwork to fill out for the changes to the merchant accounts. B.C. partially filed out the paperwork and then sent it to REGNIER. B.C. was not comfortable filing out the paperwork because the change was clearly being made to avoid the levies. She believed that she expressed this concern to V.S. and TSYS Rep. 1 over the phone.

m. In November 2017, TSYS Rep. 1 called B.C. and told her that TSYS was dropping GBUS as a client. TSYS Rep. 1 initially offered to help B.C. identify another credit card processing company, but was later advised not to communicate with her further. B.C. believes that TSYS dropped GBUS as a client because of the merchant account changes to avoid the IRS levies.

n. B.C. learned from emails between AVENATTI and M.G. that the Tully's stores had been instructed to hold cash for deposit, and then email the cash deposit amounts. B.C. was on the email chain because she had to enter the cash deposits in the general ledger. The cash deposits were made into a BofA account instead of the KeyBank account and then transferred to a CB&T account.

o. B.C. believed the cash deposits were timed. AVENATTI instructed when to make the cash deposit, when to transfer the funds, and when to sweep the account. B.C. said that these actions were designed to avoid the levies.

p. AVENATTI took money from the KeyBank account randomly. M.B. instructed B.C. on how to record the money AVENATTI was transferring in and out of GBUS's bank account in GBUS's accounting records.

q. GBUS used Microsoft Dynamics NAV for its accounting records. The accounting data was stored and backed up on an AWS cloud-based server. Eventually, GBUS's AWS cloud account was shut down because of non-payment.

34. On November 13, 2018, I participated in an interview with A.H., who previously worked in GBUS's accounting department. A.H. provided the following information:

a. A.H. worked in the accounting department at GBUS from approximately April 2014 to October 2016. A.H. did basic accounting work involving accounts payable and accounts receivable.

b. A.H. reported to M.B. and worked with V.S. on a daily basis. After M.B. left GBUS, A.H. reported to V.S. A.H. participated in weekly conference calls with AVENATTI, M.G., and V.S.

c. A.H. was aware from discussions she had or overheard in the office that GBUS was not paying its payroll taxes. M.B. told her she was leaving GBUS because AVENATTI was not paying GBUS's payroll taxes.

d. A.H. recalled telling AVENATTI that GBUS had received another IRS letter. GBUS employees would ask AVENATTI to get on a payment plan with the IRS, but AVENATTI would say no. AVENATTI would say that he was negotiating with the IRS and taking care of it.

e. A.H. dealt with vendors who were waiting for payments. GBUS was frequently late paying its vendors. A.H. said that AVENATTI was well aware of what was owed to vendors, as well as what was owed to the IRS.

f. A.H. recalls telling AVENATTI that A.H. could not pay vendors because AVENATTI had pulled money out of the GBUS bank account. AVENATTI responded by saying it was his money. AVENATTI always made it clear that he was the boss and it was his company. GBUS could not pay bills without AVENATTI's approval, and he approved all vendor payments.

g. A.H. said that AVENATTI never wanted anything in writing. AVENATTI would not respond by email, but would instead either call or email back saying "call me."

35. On October 25, 2018, I participated in an interview with A.G., GBUS's former Information Technology ("IT") Manager. A.G. provided the following information:

a. A.G. started working for Tully's (TC Global) before GBUS took over operations. A.G. was a System Engineer and then took over as IT Manager. He stopped working for GBUS when his last paycheck bounced in September 2018.

b. A.G. understood AVENATTI to be the owner and CEO of GBUS. A.G. never heard of AVENATTI being GBUS's General Counsel and never had any legal discussions with him.

c. A.G. said that AVENATTI approved the expenses at GBUS.

d. A.G. heard that GBUS changed its bank accounts to avoid IRS levies. A.G. also heard that GBUS owed a lot of taxes and was getting IRS notices.

e. A.G. knew that M.G. picked up cash deposit bags from the Tully's stores and counted the cash at the corporate office. M.G. eventually told AVENATTI that she did not want to do that anymore.

f. In April or May 2018, AVENATTI told A.G. that, if A.G. was ever approached by the IRS, A.G. should contact AVENATTI first.

g. AVENATTI had a GBUS email address, but instead used his law firm email account for GBUS business.

h. GBUS's corporate computer system was setup on a hybrid environment through a managed cloud service called 2nd Watch.[23] 2nd Watch managed GBUS's desktop operating system and server. GBUS's desktop operating system used a cloud computing service called Microsoft Azure that included programs like Microsoft Office Online 365. GBUS used a cloud-based server

[23] Based on documents received from 2nd Watch and a preliminary review of GBUS bank records, it appears that GBUS paid 2nd Watch on a monthly basis throughout the life of the contract. The contract with 2nd Watch was, however, entered into by "Tully's Coffee."

called Amazon Elastic Compute Cloud (Amazon EC2) that stored its data in the AWS cloud.

i. A.G. showed the interviewers an email he sent to AVENATTI on April 5, 2018. In the email, A.G. told AVENATTI that 2nd Watch had turned off GBUS's server access to AWS and that GBUS was without functioning email. A.G. had begged AVENATTI to keep paying 2nd Watch for the cloud services. AVENATTI initially paid for the services, but he later stopped.

j. J.S., an IT contractor, made a backup of GBUS's data and emails from the AWS cloud-based server before 2nd Watch turned off access to the servers. Based on my discussions with A.G., I understand that this data is contained on SUBJECT DEVICE 5, SUBJECT DEVICE 6, and SUBJECT DEVICE 7. (See supra ¶¶ 81-82.)

4. Information Regarding TSYS Merchant Solutions

36. IRS-CI's investigation has revealed that AVENATTI attempted to evade the collection of payroll taxes and obstruct the IRS collection case by directing TSYS to change the business name, EIN, and bank account information for GBUS's merchant accounts.

37. On November 6, 2018, I participated in an interview with TSYS Rep. 1. Based on my review of documents obtained from TSYS and the interview with TSYS Rep. 1, I have learned, among other things, the following information:

a. On or about June 29, 2015, GBUS entered into a Merchant Transaction Processing Agreement with TSYS. The merchant name on the agreement was GBUS, and the agreement was

signed by M.B. The sponsoring bank under the TSYS agreement was FNB Omaha.[24]

b. On or about July 10, 2015, AVENATTI signed an ACH Agreement with TSYS and provided a blank check for GBUS's CB&T operating account ending in 2240 ("GBUS CB&T Account 2240"). GBUS CB&T Account 2240 began receiving deposits from TSYS via FNB Omaha in or around July 2015.

c. On or about August 16, 2017, the IRS issued a levy for GBUS's merchant accounts with FNB Omaha. FNB Omaha began withholding funds from GBUS's account by no later than September 25, 2017.

d. On Friday, September 29, 2017, AVENATTI called TSYS Rep. 1. This was the first time TSYS Rep. 1 had ever spoken to AVENATTI, as he primarily dealt with M.B. or B.C. TSYS Rep. 1 believes he spoke with AVENATTI multiple times that day. During these calls, AVENATTI told TSYS Rep. 1 that TSYS was holding GBUS's money, and that he did not know what was going on. TSYS Rep. 1 told AVENATTI that there were no normal holds on the GBUS account. After AVENATTI mentioned the IRS, TSYS Rep. 1 suggested that it could be the result of an IRS "1099 hold." B.V. explained that a "1099 hold" related to a new IRS reporting requirement and occurred when there were issues

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[24] TSYS Rep. 1 explained that the sponsoring bank must be a registered financial institution and is responsible to Visa and Master Card. TSYS processed the credit card transaction data. The funds would be paid to FNB Omaha, and then transferred from FNB Omaha to the GBUS's bank account, after the fees were paid to TSYS.

with the company's name or EIN.[25] AVENATTI told TSYS Rep. 1 that TSYS had made a mistake and placed the accounts under the wrong company name. AVENATTI said that the merchant accounts should have been under GB LLC, not GBUS. AVENATTI told TSYS Rep. 1 that TSYS needed to get this changed. AVENATTI never disclosed to TSYS Rep. 1 that there was an IRS tax lien on GBUS, that the IRS had issued levies on GBUS's bank accounts, or that GBUS had outstanding payroll tax obligations. Rather, AVENATTI suggested to TSYS Rep. 1 that he had no idea why TSYS was holding its funds.

e. TSYS Rep. 1 and AVENATTI also exchanged multiple emails on September 29, 2017. TSYS Rep. 1 asked AVENATTI to confirm the "correct tax ID" and provide him with "the exact legal name as filed with the IRS." AVENATTI responded by providing TSYS Rep. 1 with GB LLC's name and federal tax ID number (EIN). TSYS Rep. 1 then emailed AVENATTI a list of items that would be "needed to perform the change of ownership." TSYS Rep. 1 said that the "change in ownership will create new merchant accounts under the correct business info." At AVENATTI's direction, V.S. also emailed TSYS Rep. 1 a spreadsheet detailing the GBUS funds that were being held by TSYS and FNB Omaha.

f. On October 2, 2017, TSYS Rep. 1 emailed B.C. and V.S. to obtain information he needed to change the merchant accounts, which would be a complicated process. When B.C. asked

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[25] A call-log received from TSYS shows that on September 29, 2017, TSYS Rep. 1 called TSYS's client services department to check if there was a 1099 hold on GBUS's account.

TSYS Rep. 1 what he had been asked to do, TSYS Rep. 1 responded as follows:

> Michael Avenatti called me on Friday. The accounts should be under Global Baristas LLC, not Global Baristas "US" LLC. We have to make changes as the IRS with [sic] withholding funds. Michael has asked that I rush this as much as possible.

g. On October 2, 2017, TSYS Rep. 1 emailed AVENATTI and V.S. to request the banking information for each Tully's store, as well as bank letters for each account. AVENATTI responded that the "accounts will likely change." In a subsequent email that day, AVENATTI told TSYS Rep. 1 that "[w]e want to do it the same way we have done it in the past. The account number and ownership merely changes."

h. Later on October 2, 2017, TSYS Rep. 1 emailed AVENATTI and told him there "appears to be a bank levy directed by [sic] our Sponsor Bank - First National Bank of Omaha." TSYS Rep. 1 explained to AVENATTI that TSYS does not "get any details on the levy" and provided AVENATTI with the contact information for FNB Omaha. TSYS Rep. 1 also asked AVENATTI to "[l]et me know what you find out and if there are any possible implications when we set up the new accounts with the correct TAX IDs." During his interview, TSYS Rep. 1 said that he believes that he learned of the levy on October 2, 2017. TSYS Rep. 1, however, noted that he did not have any or all of the information from FNB Omaha, and AVENATTI was telling TSYS that TSYS had made a mistake when it set up the merchant accounts.

i. On October 3, 2017, TSYS Rep. 1 emailed AVENATTI and V.S. and asked them to send him the bank letters and the

signed agreement. TSYS Rep. 1 also asked AVENATTI again to "let me know if you found out anything yesterday with First National Bank of Omaha and any possible implications or things needed on my end." This was the second time TSYS Rep. 1 had asked AVENATTI that question. AVENATTI never responded to his question or provided TSYS Rep. 1 with any information regarding the IRS levies or his discussions with FNB Omaha.

j. Later on October 3, 2017, REGNIER emailed TSYS Rep. 1 the new Merchant Transaction Processing Agreement, which was signed by AVENATTI on behalf of GB LLC in his capacity as CEO. REGNIER also emailed TSYS Rep. 1 a bank letter identifying a GB LLC account at CB&T ending in 3730 ("GB LLC CB&T Account 3730"). Based on my review of CB&T bank records, I know that GB LLC CB&T Account 3730 was a new bank account that AVENATTI and REGNIER opened in Orange County, California, earlier that same day. AVENATTI and V.S. were copied on all of the emails REGNIER sent TSYS Rep. 1.

k. The change in merchant accounts was completed on or about October 7, 2017.

l. On November 7, 2017, TSYS informed AVENATTI and GBUS that it was closing GBUS's and GB LLC's merchant accounts. TSYS Rep. 1 understood that TSYS decided to close the merchant accounts because GBUS had huge tax liens and levies with the IRS.

m. TSYS Rep. 1 does not believe that TSYS made a mistake or used the incorrect name when it opened the GBUS merchant accounts in June 2015, as AVENATTI had claimed. TSYS

Rep. 1 said that when the GBUS merchant accounts were first opened there were discussions as to whether the correct legal name should be GBUS or GB LLC.

n. TSYS Rep. 1 said that had AVENATTI disclosed the existence of the IRS liens and levies to him he would have raised the issue with TSYS's legal department and risk management team. TSYS Rep. 1 felt that information regarding the IRS tax liens and levies would have been highly valuable information to TSYS. Indeed, TSYS ultimately cancelled the GBUS contract because of the IRS tax liens and levies.

5. Information Regarding The Boeing Company

38. The investigation has also revealed that AVENATTI attempted to evade the collection of payroll taxes and obstruct the IRS collection case by changing the company name on contracts with Boeing. As noted above, GBUS operated a number of Tully's stores at Boeing facilities in Washington. These stores were the most profitable part of GBUS's business.

39. On October 23, 2018, I participated in interviews with three Boeing employees, P.K., C.M, and A.R.G. P.K. and C.M. were both Procurement Agents at Boeing, and A.R.G. was a Senior Counsel in Boeing's legal department. Based on these interviews and my review of documents produced by Boeing, I learned, among other thing the following information:

a. On September 2, 2016, AVENATTI submitted a contract renewal proposal to Boeing. AVENATTI signed the proposal as the "CEO/Chairman of Global Baristas US, LLC (dba Tully's Coffee)."

b. On October 28, 2016, P.K. emailed AVENATTI the proposed Shared Services contract between Boeing and GBUS.

c. On November 15, 2016, AVENATTI emailed P.K. a revised Shared Services contract in which he changed the contracting party's name from "Global Baristas US LLC" to "GB Hospitality LLC." In the email, AVENATTI told P.K. that the name change was "occasioned by us having formed an additional wholly owned subsidiary that serves as the contracting party for all our relationships where we are proving onsite coffee service within corporate environments."

d. On November 16, 2016, AVENATTI signed the Shared Services contract with Boeing on behalf of "GB Hospitality LLC." The Shared Services contract required GB Hospitality to make $110,000 quarterly commission payments to Boeing in 2017. The contract identified AVENATTI's title as "Chairman/CEO." P.K. said that when he was responsible for the GBUS/GB Hospitality/Tully's account he viewed AVENATTI as the CEO of the contracting party, not as an attorney.

e. Between May 24, 2017, and August 15, 2017, P.K. and A.R.G. sent AVENATTI multiple emails and letters regarding GB Hospitality's failure to make the required commission payments for the first and second quarters of 2017. C.M. and A.R.G. both said that AVENATTI repeatedly failed to respond to Boeing's emails and letters. C.M. said that she knew AVENATTI was a lawyer, but was communicating with him because he was the owner of GBUS rather than because he was GBUS's lawyer.

f. On August 16, 2017, Boeing received an IRS Notice of Levy relating to GBUS. On or about September 19, 2017, Boeing returned the Notice of Levy to the IRS and indicated that it did not owe GBUS any money. As a result, the levy was closed. A.R.G. was aware of the levy at the time and may have been responsible for filling out and returning the levy form to the IRS.

g. On September 5, 2017, Boeing sent AVENATTI via email and FedEx a letter notifying him that Boeing was cancelling its contract with GB Hospitality due to the company's failure to make the required commission payments. A.R.G. said that Boeing sent the cancellation notice to AVENATTI because he was the owner of GB Hospitality/GBUS.

h. On September 6, 2017, AVENATTI responded to the cancellation letter. Among other things, AVENATTI claimed that he had never received the prior notice of default from Boeing, even though that notice had been delivered to EA LLP's offices via FedEx.

i. On September 7, 2017, A.R.G. spoke to AVENATTI regarding the cancellation of the contract and transition discussions. A.R.G. said that all transition calls had to go through AVENATTI. A.R.G. believed that she was communicating with AVENATTI both as the person operating GBUS and as the lawyer for GBUS. A.R.G. always believed that AVENATTI was the

decision maker for GBUS. At one point, however, AVENATTI told Boeing that he had to run a decision by the Board of Directors.[26]

j. On or about September 18, 2017, A.R.G., C.M. and others met with AVENATTI regarding Boeing's transition from GBUS. During this meeting, Boeing and AVENATTI discussed the sale of GBUS equipment to Boeing. A.R.G. said that AVENATTI asked to be the point of contact for the sale of GBUS equipment.

k. On September 20, 2017, REGNIER emailed AVENATTI a list of GBUS equipment at the Boeing stores. AVENATTI then forwarded this email to C.M., with a copy to M.G. from GBUS. A.R.G. said that it made sense for Boeing to buy the equipment from GBUS because it still wanted to supply coffee to its employees.

l. On September 22, 2017, AVENATTI emailed C.M. and said: "We have discussed it internally and we propose that we assign the equipment to Boeing in exchange for any commissions due and owing to Boeing."

m. On September 26, 2017, A.R.G. emailed AVENATTI a bill of sale relating to the GBUS equipment at the Boeing stores. A.R.G. drafted the bill of sale. She identified GB Hospitality as the seller on the bill of sale because that was the entity name on the contract with Boeing. Under the terms of the proposed sale, Boeing would pay GB Hospitality $10 and forgive all remaining debt in exchange for the equipment.

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[26] This statement appears to have been false. Multiple former GBUS employees have said that GBUS did not have a Board of Directors.

n. On September 27, 2017, A.R.G. and AVENATTI discussed Boeing purchasing two coffee kiosks[27] from GBUS for $155,000. C.M. said that the kiosk discussions occurred at the end of the transition talks.

o. On September 28, 2017, AVENATTI emailed A.R.G. and agreed to sell the kiosks for $155,000. AVENATTI asked A.R.G. to send him a revised bill of sale. He also indicated that he would "need payment no later than next Friday" (i.e., October 6, 2017). Later that day, A.R.G. emailed AVENATTI two separate bills of sale -- one for the purchase of the equipment and one for the purchase of the kiosks. Both Bills of Sale identified GB Hospitality as the seller.

p. On September 29, 2017, A.R.G. emailed AVENATTI revised drafts of the two Bills of Sale in which the name of the seller was changed from GB Hospitality to "Global Baristas, LLC." A.R.G. said that AVENATTI asked her to change the seller name because GB LLC was the owner of the equipment, not GB Hospitality. In her email, A.R.G. also wrote the following:

> As part of my due diligence, I ran a quick UCC search on Global Baristas, LLC. I see one secured credit [sic] for office furniture that doesn't look relevant for our purposes. There is another secured creditor for equipment, Farnam Street Financial? Can you confirm that is also not covering any of this equipment?

In an email response just a few minutes later, AVENATTI said "You are correct - neither covers any of the equipment."

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[27] I understand that the coffee kiosks were separate stand-alone structures that were owned by GBUS, but located at Boeing's facilities.

q. Later on September 29, 2017, AVENATTI emailed A.R.G. and C.M. the executed copies of the two bills of sale. AVENATTI signed the bills of sale on behalf GB LLC and identified his title as "Chairman."

r. On October 2, 2017, AVENATTI emailed wiring instructions to A.R.G. and C.M. Specifically, AVENATTI instructed Boeing to wire the sale proceeds to an EA LLP attorney trust account at CB&T ending in 8671 ("EA CB&T Trust Account 8671"). AVENATTI also asked when the wire would be sent. C.M. said that AVENATTI seemed anxious to receive the wire payment from Boeing.

s. On October 5, 2017, AVENATTI emailed A.R.G. and C.M. a letter on GB LLC letterhead containing the same wiring instructions. REGNIER was copied on the email. According to A.R.G., Boeing had asked AVENATTI to provide Boeing the wiring instructions on GB LLC letterhead. Prior to receiving this letter, neither A.R.G. nor C.M. had ever seen any other documents on GB LLC letterhead.

t. A.R.G. indicated that she was concerned that the change of the entity name on the bill of sale may have violated the tax lien or levies, but that Boeing checked and neither "GB Hospitality, LLC" nor "Global Baristas, LLC" were identified on the lien and levies. Boeing determined that it was not in violation of the lien because the lien related to GBUS and the seller identified on the two bills of sale was a different legal entity. A.R.G. said that the only other entity name she had seen on the contracts with Boeing prior to the two bills of sale

was GB Hospitality. Boeing would not have paid the $155,010 if GBUS's name had been on the two bills of sale or the 2016 contract.

40. Based on a preliminary review[28] of bank records relating to GBUS, GB LLC, EA LLP, A&A, and AVENATTI, I have learned the following regarding the $155,010 payment from Boeing for the kiosks and equipment:

a. On October 5, 2017, Boeing transferred $155,010 via wire to EA CB&T Trust Account 8671.

b. On October 5, 2017, EA LLP transferred $155,010 from EA CB&T Trust Account 8671 to A&A's CB&T account ending in 0661 ("A&A CB&T Account 0661"). AVENATTI then made the following payments from A&A CB&T Account 0661, among others:

i. $15,000 wire transfer to AVENATTI and his wife's personal checking account at BofA ending in 5546 ("Avenatti BofA Account 5446");

ii. $8,459 payment to Neiman Marcus in Newport Beach, California on October 10, 2017; and

iii. $13,073 payment for rent for AVENATTI's residential apartment in Los Angeles, California on October 10, 2017.

c. Out of the $155,010 that Boeing wired to EA CB&T Trust Account 8671 and which was subsequently transferred to A&A

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[28] IRS-CI's review of the bank account records referenced throughout this affidavit is ongoing. The approximate amounts referenced herein are based on a preliminary analysis of those bank records and my discussions with an IRS-CI revenue agent. These amounts may change as IRS-CI completes its analysis and discovers additional bank account information.

CB&T Account 0661, it appears that only approximately half was ever transferred to bank accounts associated with GBUS.

6. Preliminary Review of GBUS and GB LLC Bank Account Information

41. In connection with this investigation, IRS-CI has obtained bank records relating to a number of accounts associated with GBUS and GB LLC. Based on a preliminary review of these bank account records, it appears that AVENATTI caused approximately $1.7 million to be transferred from GBUS or GB LLC to other entities AVENATTI controlled during the same time period in which GBUS failed to pay to the IRS approximately $3,121,460 in payroll taxes.

42. Based on a preliminary review of the GBUS and GB LLC bank records, I have learned, among other things, the following:

a. In February and March 2015, GBUS opened three new bank accounts with CB&T in Orange County, California, including a payroll account and an operating account (GBUS CB&T Account 2240). AVENATTI and REGNIER were the only two signatories on the GBUS CB&T accounts.

b. As noted above, on October 3, 2017, GB LLC opened GB LLC CB&T Account 3730 in Orange County, California. (See supra ¶ 37.j.) AVENATTI and REGNIER were the only two signatories on this GB LLC account.

43. Based on a preliminary review of the GBUS's CB&T bank accounts, I have learned, among other things, the following regarding the transfer of funds from GBUS or GB LLC to bank accounts associated with A&A or EA LLP:

a. Between 2015 and 2017, there were a substantial number of wire transfers or payments between GBUS's or GB LLC's bank accounts on one hand, and EA LLP's or A&A's bank accounts on the other hand.

b. As detailed in the below chart, between 2015 and 2017, there was a net total of approximately $1,701,800 in payments from GBUS's or GB LLC's bank accounts to A&A's or EA LLP's bank accounts.

Transfers (Net)	**2015**	**2016**	**2017**	**TOTALS**
GBUS & GB LLC to A&A	-$576,500	$440,500	$1,360,250	**$1,224,250**
GBUS & GB LLC to EA LLP	-$127,436	$517,400	$87,586	**$477,550**
TOTALS	**-$703,936**	**$957,900**	**$1,447,836**	**$1,701,800**

c. There was a net transfer of approximately $703,936 from A&A and EA LLP into GBUS's or GB LLC's bank accounts in 2015. However, there was a net transfer of approximately $2,406,006 out of GBUS's and GB LLC's bank accounts to A&A and EA LLP during 2016 and 2017, while the IRS collection case was ongoing and payroll taxes were due.

44. As set forth further below in Section IV.D.4, it appears that portions of the approximately $1.7 million that was transferred from GBUS's and GB LLC's bank accounts to A&A or EA LLP were subsequently transferred to AVENATTI's personal bank accounts or used to pay for AVENATTI's personal expenses.

45. It also appears that AVENATTI directly used GBUS funds to pay for personal expenses. For example, on or about March 30, 2016, a total of $200,000 was paid to the G.P. Family Trust

from GBUS CB&T Account 2240. These payments were for two months of rent for AVENATTI's residence in Newport Beach, California. (See infra § IV.E.3.b.)

7. GBUS Bankruptcy Proceedings

46. GBUS is currently the debtor in Chapter 7 bankruptcy proceedings pending in the United States Bankruptcy Court for the Western District of Washington, in In re: Global Baristas US LLC, No. 18-14095-TWD (the "GBUS Bankruptcy"). Based on my review of documents filed in the GBUS Bankruptcy, I have learned, among other things, the following:

a. On October 24, 2018, a Chapter 7 involuntary bankruptcy petition was filed against GBUS. GBUS did not appear or oppose the involuntary petition.

b. On November 30, 2018, an Order for Relief was entered by default. On or about that same date, Nancy L. James was appointed as the Chapter 7 bankruptcy trustee for GBUS (the "GBUS Trustee").

c. On or about November 30, 2018, GBUS was also directed to file financial statements and other documents with the bankruptcy court. To date, GBUS has not filed any such documents.

d. On January 25, 2019, the GBUS Trustee filed a motion for an order directing three law firms, Osborn Machler PLLC; Eisenhower Carlson PLLC ("Eisenhower"); Talmadge/Fitzpatrick/Tribe, PPLC, to turn over all files and records relating to the law firms' representation of GBUS. Among other things, the GBUS Trustee noted that because the GBUS Trustee now

manages GBUS, the GBUS Trustee now holds the attorney-client privilege.

e. On January 31, 2019, the GBUS Trustee held the creditors meeting required under 11 U.S.C. § 341. No one appeared on behalf of GBUS at the meeting.

f. On February 8, 2019, Eisenhower, which represented GBUS in the Bellevue Square Litigation, filed an opposition to the GBUS Trustee's motion for turnover. Eisenhower argued, among other things, that AVENATTI may believe that Eisenhower represented him in his personal capacity and that the motion should be denied until AVENATTI was provided notice and an opportunity to respond. Eisenhower stated:

> During the course of the litigation, Bellevue Square LLC asserted liability against Michael Avenatti personally. While [Eisenhower] was not formally retained by Mr. Avenatti, [Eisenhower] is concerned that Mr. Avenatti may assert attorney-client privilege as to his personal communications with [Eisenhower].

g. On February 15, 2018, the Bankruptcy Court held a hearing on the GBUS Trustee's motion. I understand that during the hearing the Bankruptcy Court held that the GBUS Trustee holds the attorney-client privilege as to communications between GBUS and its lawyers, that the law firms were required to turn over their files to the GBUS Trustee, and ordered the parties to submit an agreed upon order for the Court to sign by February 22, 2018.

47. Although AVENATTI is not personally named in the GBUS Bankruptcy and has not appeared in it, he is aware of the proceedings. On February 13, 2019, AVENATTI sent an email to an

attorney representing IMSA in a separate civil action, the GBUS Trustee, and the GBUS Trustee's counsel, which stated:

> It has come to my attention that you are purporting to proceed with a hearing tomorrow in a Florida collection matter in which Global Baristas US, LLC, me [sic] and others are defendants. Separate [sic] apart from the fact that service has never been properly effectuated, your attempt to proceed with this matter is entirely inappropriate as there has long been a bankruptcy stay in place as a result of the attached bankruptcy filing (the Trustee and counsel are copied above). Indeed, your continued pursuit of this matter over the last several months may subject your client to liability for violating the bankruptcy stay, which your client is well aware of.

D. Tax Offenses Relating to Eagan Avenatti LLP (EA LLP) and Avenatti & Associates, APC (A&A)

48. As discussed below, there is probable cause to believe that AVENATTI has caused his other companies, EA LLP and A&A, to evade their federal tax obligations. Between 2015 and 2017, EA LLP failed to pay to the IRS approximately $2.4 million in payroll taxes, including approximately $1,279,001 in trust fund taxes that had been withheld from EA LLP employees' paychecks. EA LLP and A&A have also repeatedly failed to file federal income tax returns or pay federal income taxes, despite generating substantial income. Indeed, despite previously filing tax returns, EA LLP has not filed federal tax returns for the 2013 through 2017 tax years, and A&A has not filed federal tax returns for the 2011 through 2017 tax years.

1. The IRS Payroll Tax Collection Case

49. In September 2015, the IRS initiated a collection case against EA LLP due to its failure to file its payroll tax returns and pay payroll taxes. Based on my review of IRS tax

information, including the ICS History, I have learned, among other things, the following information regarding EA LLP's payroll tax obligations:

a. Between 2011 and the first quarter of 2014, EA LLP paid its federal tax deposits, including trust fund tax payments, to the IRS on a regular basis. During this time period, EA LLP also filed its IRS Forms 941 each quarter and IRS Forms 940 each year.[29] On the various EA LLP IRS Forms 940 and IRS Forms 941 filed with the IRS between 2011 and 2014 that I have reviewed, AVENATTI signed the forms under penalty of perjury as the Managing Partner of EA LLP.

b. On or about April 30, 2015, EA LLP filed its IRS Form 941 for the first quarter of 2015. The IRS Form 941 indicated that EA LLP was required to pay to the IRS approximately $194,545 in payroll taxes, including approximately $152,562 in trust fund payments. EA LLP, however, did not make the required payroll tax payments to the IRS.

c. On September 26, 2015, the IRS opened a collection case against EA LLP based on a FTDA.

d. On September 28, 2015, the collection case was assigned to an IRS revenue officer ("RO 2").

e. On October 8, 2015, RO 2 made a field visit to EA LLP's office in Newport Beach, California. RO 2 spoke with AVENATTI and told him that the field call was being made because

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[29] During this time period, Paychex was responsible for filing EA LLP's IRS Forms 941 and paying to the IRS EA LLP's federal tax deposits. (See infra ¶ 52.) These services were discontinued at the end of 2014. (See id.)

EA LLP had not made its federal tax deposits. RO 2 asked AVENATTI if REGNIER could attend the meeting because she was the POA on file with IRS for EA LLP and was in the office at that time, but AVENATTI said no. RO 2 told AVENATTI that EA LLP last filed a payroll tax return for the first quarter of 2015, but that it had not paid to the IRS the $194,545 in payroll taxes that were due. RO 2 also told AVENATTI that EA LLP had not filed its payroll tax return or paid its federal tax deposits for the second quarter of 2015, and that the payroll tax return and federal tax deposits for the third quarter of 2015 were due that same day. RO 2 explained that unless there was a reduction in EA LLP's payroll since the first quarter of 2015, EA LLP would likely owe the IRS over $200,000 in payroll taxes for each of these additional quarters as well. AVENATTI told RO 2 that he was not aware that the federal tax deposits were not being paid. When asked who prepared the payroll tax returns and made the federal tax deposits, AVENATTI said that Paychex was responsible for the payroll taxes.[30] AVENATTI also said that he was not sure what was going on with the taxes. RO 2 set a deadline of October 23, 2015, for EA LLP to make the outstanding payroll tax payments. RO 2 also set deadlines for EA LLP to file its missing IRS Forms 940 and provide certain financial documentation, including bank statements and a balance sheet. Finally, RO 2 instructed AVENATTI to file any other unfiled tax

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[30] AVENATTI made a nearly identical statement to RO 1 when he was contacted about GBUS failure to pay its payroll taxes one year later on October 7, 2016. (See supra ¶ 23.d.)

returns, including his unfiled personal income tax returns for the 2011 to 2014 tax years.

f. On October 14, 2015, M.H. contacted RO 2 and advised her that she was the POA for EA LLP. RO 2 advised M.H. of the deadline she had set for EA LLP to make the outstanding payroll tax payments, file its IRS Forms 941, and produce financial documents.

g. On October 23, 2015, EA LLP filed its IRS Forms 941 for the second and third quarters of 2015. Both IRS Forms 941 were signed by AVENATTI. Although EA LLP filed these two IRS Forms 941 for the second and third quarters of 2015, EA LLP did not make the required outstanding payroll tax payments nor did it produce the required financial information RO S.M requested.

h. On March 14, 2017, RO 2 filed IRS Form 6020B substitute returns for the fourth quarter of 2015 and the first, second, third, and fourth quarters of 2016.

i. As discussed below in Section IV.D.2, in March 2017, an involuntary Chapter 11 bankruptcy petition was filed against EA LLP. Due to the automatic stay issued in the EA Bankruptcy, RO 2's efforts to collect the outstanding payroll taxes largely ceased.

j. In connection with the EA Bankruptcy, EA LLP and the IRS reached a settlement regarding EA LLP's unpaid payroll taxes in which EA LLP agreed to pay to the IRS approximately $2,389,005, including trust fund taxes of $1,288,277, non-trust

fund taxes of $311,673, penalties of $635,631, and interest of $153,424.

k. On or about September 28, 2017, the IRS received EA LLP's IRS Forms 941 for the fourth quarter of 2015 through the fourth quarter of 2016. The IRS Forms 941 appear to have been signed by AVENATTI.

2. EA LLP Bankruptcy Proceedings

50. Based on my review of documents filed in connection with the EA Bankruptcy, I have learned, among other things, the following information:

a. On or about March 1, 2017, an involuntary petition was filed against EA LLP in the Middle District of Florida.

b. On or about March 10, 2017, EA LLP filed its answer to the involuntary petition and consented to the order for relief.

c. In April 2017, the EA Bankruptcy was transferred to the Central District of California.

d. In connection with the EA Bankruptcy, the United States claimed that it was a secured creditor of EA LLP due to the filing of federal tax liens. The United States also filed a number of claims against the bankruptcy estate.

e. On or about October 10, 2017, the United States filed its Fifth Amended Proof of Claim in the amount of approximately $2,357,202, which consisted of a secured claim in the amount of $677,410, a priority tax claim of $1,259,355, and a general unsecured claim of $420,436.

f. On January 30, 2018, EA LLP, AVENATTI, and the United States entered into a stipulation regarding the payment of taxes, in which the parties described the terms of the settlement reached between EA LLP, AVENATTI, and the United States. In the stipulation, the parties agreed that the total amount EA LLP owed to the IRS as of February 28, 2018, would be approximately $2,389,005, consisting of trust fund taxes of $1,288,277, non-trust fund taxes of $311,673, penalties of $635,631, and interest of $153,424. Under the terms of the settlement, EA LLP was required to make an initial payment to the United States Treasury of $1,508,422, which consisted of all of the $1,288,277 in trust fund taxes due to the IRS, and 20% of the non-trust fund taxes, penalties, and interest in the amount of $220,146 within 10 days of the settlement being approved and bankruptcy being dismissed. EA LLP was required to pay the remaining balance of $880,583, plus accrued interest, within 120 days of the dismissal order. Specifically, EA LLP was required to pay $440,291, plus accrued interest of $11,709.07, on the 60th day following the dismissal order, and an additional $440,291 on the 120th day following the dismissal order.

g. On March 15, 2018, the Bankruptcy Court issued an order approving the settlement between EA LLP, AVENATTI, and the United States, and dismissed the EA Bankruptcy.

h. On March 26, 2018, the IRS received the initial settlement payment of $1,508,422 from a trust account for SulmeyerKupetz, which was the law firm representing A&A and

AVENATTI in the EA Bankruptcy.[31] EA LLP and AVENATTI, however, failed to make the remaining payments to the IRS as scheduled.

i. On July 3, 2018, the United States filed a motion to enforce the settlement agreement between EA LLP, AVENATTI, and the United States. Among other things, the United States noted that EA LLP had failed to make the required payment of approximately $440,291, plus $11,709 by May 14, 2018, as required under the settlement agreement.

j. On August 20, 2018, EA LLP, AVENATTI, and the United States entered into a stipulation to resolve the United States July 2018 motion to enforce the settlement agreement. Under the stipulation, EA LLP agreed to make monthly payments to the United States in the amount of $75,000.

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[31] Based on information I received from the Newport Beach Police Department and a preliminary review of the relevant bank account records, it appears that this payment was derived from money that AVENATTI had received in trust for two clients, M.P. and L.T. AVENATTI represented M.P. and L.T. in connection with the divestment and separation from M.P.'s business. Under the engagement agreement, AVENATTI was entitled to 7.5 percent of the approximately $35.6 million transaction amount (or approximately $2.67 million). In September 2017, the first portion of the transaction amount was wired to a City National Bank attorney trust account ending in 4704 ("Avenatti CNB Trust Account 4704"). After AVENATTI deducted his entire 7.5 percent fee, he then transferred the remaining proceeds to M.P. On March 14, 2018, the balance of the transaction amount (approximately $8,146,288) was transferred to CNB Trust Account 4704. But AVENATTI did not remit this entire sum to M.P. as he was required to do. Rather, on March 15, 2018, AVENATTI transferred $3,000,000 to an EA LLP CB&T attorney trust account ending in 4613 ("EA CB&T Trust Account 4613"). AVENATTI then transferred $2,828,423 from EA CB&T Trust Account 4613 to the SulmeyerKupetz trust account later that same day. The following day, AVENATTI's attorney from SulmeyerKupetz filed a declaration in the EA Bankruptcy indicating that he had received the approximately $2.8 million payment so that it could be distributed to creditors, including the IRS.

k. On or about August 20, 2018, EA LLP paid the United States Department of Treasury approximately $75,000 via a check from one of EA LLP's CB&T bank accounts. I understand that no further payments have been received since August 2018 and that EA LLP and AVENATTI still owe the United States approximately $765,015, plus accrued interest and penalties.

51. As part of the EA Bankruptcy, EA LLP was required to close pre-petition bank accounts and open new "debtor in possession" bank accounts. EA LLP and AVENATTI were also required to file with the Bankruptcy Court a monthly operating report ("MOR") detailing all funds received and disbursed by EA LLP.

3. Information Obtained from Paychex Regarding EA LLP's Payroll Taxes

52. As noted above in paragraph 49.e, when AVENATTI was first contacted by RO 2, AVENATTI claimed that Paychex was responsible for preparing the payroll tax returns and paying to the IRS EA LLP's federal tax deposits. These claims appear to have been false. Based on documents produced by Paychex, I have learned, among other things, the following information:

a. On or about May 31, 2014, AVENATTI signed a Paychex Proprietor Services Agreement as the Managing Partner of EA LLP.

b. On or about January 5, 2015, Paychex mailed two letters to EA LLP and AVENATTI confirming "that your Paychex Taxpay® service has been discontinued at your request, effective December 28, 2014." The letters further advised AVENATTI and EA

LLP that "[y]ou will be responsible for making timely tax deposits and filing tax return beginning on December 28, 2014."[32]

4. Other Tax Information Regarding EA LLP and A&A

53. Based on my review of IRS tax information, I have learned, among other things, the following information regarding EA LLP's filing of federal partnership income tax returns:

a. On or about August 13, 2010, Eagan O'Malley & Avenatti LLP, which later became EA LLP, filed its 2009 partnership income federal tax return (IRS Form 1065). The return stated that in the 2009 tax year Eagan O'Malley Avenatti LLP had gross receipts of $12,547,675 and ordinary business income of $5,025,947. The return listed G.M. in Encino, California, as the paid preparer, and O'Malley as the designated Tax Matters Partner ("TMP") before the IRS.

b. On or about April 15, 2011, Eagan O'Malley & Avenatti LLP, filed its 2010 partnership income federal tax return (IRS Form 1065). The return stated that in the 2010 tax year Eagan O'Malley & Avenatti LLP had gross receipts of $7,287,551 and ordinary business income of $1,691,667. The return listed M.H. as the paid preparer, and A&A as the designated TMP before the IRS.

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[32] At the June 12, 2017, Section 341 hearing as part of the EA Bankruptcy, AVENATTI testified under penalty of perjury that Paychex was EA LLP's payroll service since "the inception of the firm . . . may have been as long as 10 [years]." In response to a question regarding EA LLP making deposits for federal and state payroll taxes, AVENATTI testified: "Well, they're made now directly by the firm, but at some point they were being made by Paychex, or at least were to be made by Paychex." When asked when EA LLP switched from sending money to Paychex to pay the payroll taxes to paying the tax deposits directly, AVENATTI testified "sometime in 2016."

c. On or about March 17, 2014, EA LLP filed its 2011 partnership income federal tax return (IRS Form 1065). The return stated that in the 2011 tax year EA LLP had gross receipts of $13,819,836 and ordinary business income of $5,850,102. The return indicated that it was "Self Prepared" and appears to have been signed by AVENATTI on March 12, 2014. The return listed A&A as the designated TMP before the IRS, and AVENATTI as the TMP representative.

d. On or about October 8, 2014, EA LLP filed its 2012 partnership income federal tax return (IRS Form 1065). The return stated that in 2012 EA LLP had gross receipts of $6,212,605 and an ordinary business loss of 2,128,849. The return appears to have been signed by AVENATTI on October 1, 2014. The return listed M.H. as the paid preparer, and A&A as the designated TMP before the IRS.

e. EA LLP never filed a partnership income federal tax return (IRS Form 1065) for the 2013, 2014, 2015, 2016, or 2017 tax years.

54. Based on my review of IRS tax information, I have learned, among other things, the following information regarding A&A:

a. A&A's 2009 IRS Form 1120S Corporate Tax Return stated that A&A had total income of $3,391,224 and ordinary business income of $1,578,558 for the 2009 tax year. The return listed AVENATTI as the President of A&A and M.H.'s firm as the return preparer (the return does not state M.H.'s name, simply the firm at which she worked).

b. A&A's 2010 IRS Form 1120S Corporate Tax Return stated that A&A had total income of $1,421,028 and ordinary business income of $821,634 for the 2010 tax year. AVENATTI appears to have signed the return on September 15, 2011, as the President of A&A. The return listed M.H. as the return preparer.

c. A&A did not file federal corporate tax returns for the 2011, 2012, 2013, 2014, 2015, 2016, or 2017 tax years. The last federal income tax return that A&A filed was the return for the 2010 tax year.

5. Preliminary Review of EA LLP's and A&A's Bank Account Information

55. A preliminary review of the bank records for accounts associated with EA LLP, A&A, and AVENATTI demonstrates that: (a) EA LLP generated significant income between 2013 and 2017 and would likely have been required to file federal income tax returns for the 2013 to 2017 tax years; (b) A&A generated significant income between 2011 and 2017 and would likely have been required to file income tax returns during the 2011 to 2017 tax years; and (c) EA LLP and AVENATTI had sufficient funds to make the required payroll tax payments due to the IRS in 2015 and 2016. Specifically, based on a preliminary review of bank account records associated with EA LLP, A&A, AVENATTI, I have learned, among other things, the following information:

a. Between 2013 and 2017, EA LLP received approximately $137,890,016 of deposits[33] into its bank accounts.

b. Between 2011 and 2017, A&A received approximately $37,961,633 of deposits into its bank accounts, including net payments of approximately $23,820,816 from EA LLP.

c. Between 2015 and 2017, EA LLP transferred approximately $13,360,560 to A&A's bank accounts, and A&A transferred approximately $4,424,740 to EA LLP's bank accounts. Thus, between 2015 and 2017, A&A received a net total of approximately $8,935,820 from EA LLP.

d. Between 2015 and 2017, approximately $3,697,500 was transferred from A&A's bank accounts to AVENATTI's personal bank account, and approximately $190,000 was transferred from EA LLP's bank accounts to AVENATTI's personal bank account. Moreover, as discussed further in paragraph 58.c below, AVENATTI repeatedly used A&A funds to pay for personal expenses between 2015 and 2017.

E. Tax Offenses Relating to AVENATTI's Personal Income Tax Obligations

56. As discussed below, there is probable cause to believe that AVENATTI committed various tax offenses in connection with his personal income tax obligations. AVENATTI failed to file personal federal income tax returns for the 2011 through 2017 tax years. During these tax years, AVENATTI generated substantial income and lived lavishly, yet largely failed to pay

[33] I understand that the $137,890,016 of deposits likely includes some transfers between different EA LLP bank accounts. Therefore, EA LLP's total receipts during this time period could be substantially lower.

any federal income tax. AVENATTI also appears to have evaded the assessment and collection of federal income taxes during these tax years by using the entities he controlled, such as GBUS, EA LLP, and A&A, to hide and conceal his personal income.

1. Information Regarding AVENATTI's Personal Income Tax Obligation

57. Based on my review of IRS tax information, I have learned, among other things, the following regarding AVENATTI's personal income tax obligations:

a. On or about October 15, 2010, AVENATTI filed his individual income tax return for the 2009 tax year. The 2009 return indicated that AVENATTI had total income of $1,939,942, and a total tax due to the IRS in the amount of $570,816. According to the return, AVENATTI received $300,000 in W-2 wage income from A&A in 2009, but only had $1,186 withheld in federal taxes. AVENATTI, therefore, owed the IRS approximately $569,630 for the 2009 tax year. AVENATTI, however, did not pay the remaining tax due for the 2009 tax year until November 2015, when he sold his residence in Laguna Beach, California, upon which there was an IRS tax lien.

b. On or about October 11, 2011, AVENATTI filed his individual income tax return for the 2010 tax year. The 2010 return indicated that AVENATTI had total income of $1,154,800, and a total tax due to the IRS of $275,947. According to the return, AVENATTI had $77 of taxes withheld during 2010. AVENATTI, therefore, owed the IRS approximately $281,786 for 2010 tax year. AVENATTI, however, did not pay the remaining

taxes due to the IRS for the 2010 tax year until November 2015, when he sold his residence in Laguna Beach, California, upon which there was an IRS tax lien.

c. AVENATTI never filed a 2011 individual tax return. In April 2012, however, AVENATTI or his tax preparer filed an extension request for his 2011 individual tax return in which $0 in tax liability was reported.[34]

d. AVENATTI never filed a 2012 individual tax return. In April 2013, however, AVENATTI or his tax preparer filed an extension request for the 2012 individual tax return in which $0 in tax liability was reported.

e. AVENATTI never filed a 2013 individual tax return. In April 2014, however, AVENATTI or his tax preparer filed an extension request for the 2013 individual tax return in which $0 in tax liability was reported.

f. AVENATTI never filed a 2014 individual tax return. In April 2015, however, AVENATTI or his tax preparer filed an extension request for the 2014 individual tax return in which $0 in tax liability was reported.

g. On September 2, 2015, the IRS filed a federal tax lien for approximately $903,987 due to AVENATTI's non-payment of taxes due for the 2009 and 2010 tax years.

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[34] Based on my review of IRS tax information, I believe that AVENATTI's extension requests for the 2011 to 2015 tax years were submitted to the IRS by M.H. Because we have not interviewed M.H. at this time, it is unclear whether AVENATTI knew the extension requests were being filed or knew what information was being provided on the extension requests.

h. On or about October 23, 2015, AVENATTI's POA, M.H., contacted the IRS and advised it that AVENATTI would file his personal federal income tax returns for the 2012, 2013, and 2014 tax years by November 7, 2015. However, no such returns were ever filed.

i. On October 30, 2015, the IRS sent AVENATTI a demand letter indicating that he had an outstanding debt of $1,042,878 for the 2009 and 2010 tax years. A copy of the demand letter was also sent to AVENATTI's POA, M.H.

j. On November 2, 2015, as a result of the September 2015 federal tax lien, a copy of which was provided to the escrow company handling the sale of AVENATTI's Laguna Beach, California, residence, the IRS received a payment of $1,042,878 for the unpaid 2009 and 2010 taxes from the escrow company after the completion of the sale of AVENATTI's home.

k. AVENATTI never filed a 2015 individual tax return. In April 2016, however, AVENATTI or his tax preparer filed an extension request for the 2015 individual tax return in which $0 in tax liability was reported.

l. AVENATTI never filed an individual tax return for the 2016 or 2017 tax years. To date, AVENATTI has not filed requests for extensions for the 2016 or 2017 tax years.

2. Preliminary Review of AVENATTI's Bank Records

58. A preliminary review of AVENATTI's bank account records demonstrates that AVENATTI generated substantial personal income between 2011 and 2017. Specifically, based on a preliminary review of bank records associated with bank accounts

for AVENATTI, GBUS, EA LLP, and A&A, I have learned, among other things, the following:

a. Between 2011 and 2017, it appears that AVENATTI received net payments of approximately $8,464,064 from EA LLP's and A&A's bank accounts.[35] This amount excludes any amounts that may have been transferred to AVENATTI's personal bank accounts from EA LLP's and A&A's attorney trust accounts.

b. Between 2014 and 2017, AVENATTI's personal bank accounts appear to have received a total of approximately $556,134 in direct payments from GBUS.

c. Between 2011 and 2017, approximately $37,961,633 was deposited into A&A's bank accounts, including approximately $28,541,055 from EA LLP. After deducting the approximately $4,720,240 that A&A paid to EA LLP, A&A appears to have received net payments of approximately $23,820,815 from EA LLP during this time period.

d. AVENATTI appears to have used money that was deposited into A&A's bank accounts for a variety of personal expenses and to conceal his personal income. For example, based on a preliminary review of A&A CB&T Account 0661, the investigation has identified the following payments that appear personal in nature and would therefore constitute additional evidence of AVENATTI's unreported personal income and tax evasion:

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[35] During this same time period, there were total deposits into AVENATTI's personal bank accounts of approximately $18,025,134.

i. Between 2011 and 2018, A&A paid AVENATTI's ex-wife, C.C, approximately $979,590. The investigation has not yet identified any other payments from AVENATTI to C.C, which supports the inference that these payments constituted either child support or alimony, or both.

ii. Between 2011 and 2017, a total of $237,985 in cash was withdrawn from A&A CB&T Account 0661 via check or ATM Withdrawal.

iii. Between 2011 and 2017, A&A paid a total of approximately $216,720 to Neiman Marcus.

iv. Between March and June 2011, A&A paid approximately $10,500 to Jewelers On Time, a luxury watch store in Newport Beach, California.

v. Between 2013 and 2015, A&A paid a total of approximately $462,499 to Chase Home Finance in connection with the mortgage on AVENATTI's residence in Laguna Beach, California.[36]

vi. In June 2014, A&A paid $58,000 to Jewelers On Time.[37]

vii. Between 2014 and 2015, A&A paid a total of approximately $1,220,201 to Gallo Builders, Inc., a custom home builder in Newport Beach, California.

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[36] Based on records Chase submitted to the IRS, I know that between approximately November 2011 and November 2015 AVENATTI paid to Chase a total of approximately $698,909 in mortgage interest payments for his Laguna Beach home.

[37] GB Auto also paid Jewelers On Time approximately $48,500 on November 27, 2015.

viii. Between February and March 2015, A&A paid a total of approximately $82,236 to Porsche.

ix. In May 2016, A&A paid approximately $195,000 to Circle Porsche in Long Beach, California.

x. Between April 2016 and July 2016, A&A paid a total of approximately $500,000 to the G.P. Family Trust. Based on my review of other records, I understand that these were rent payments made pursuant to the lease on AVENATTI's residence in Newport Beach, California.[38]

xi. In September 2016, A&A paid approximately $176,500 to Exclusive Resorts, which is described on its website as the "World's Elite Private Vacation Club."

xii. Between January 2016 and November 2016, A&A paid approximately $65,855 to Halaby Restoration, a custom home painting contractor located in Lake Forest, California.

xiii. Between February 2016 and September 2016, A&A paid a total approximately $138,611 to Vincent Builders Inc., a custom home builder in Fountain Valley, California.[39] A photo of AVENATTI's former residence in Newport Beach is shown on Vincent Builder's website under "Projects."

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[38] Approximately $200,000 was also paid to the G.P. Family Trust from GBUS CB&T Account 2240 in March 2016.

[39] Between December 2015 and April 2016, approximately $187,611 in additional payments were made to Vincent Builders from an EA LLP CB&T bank account ending in 2851 ("EA CB&T Account 2851"), an EA LLP attorney trust account ending in 8541 ("EA CB&T Trust Account 8541"), GB Auto BofA Account 7412, and one of AVENATTI's personal bank accounts.

xiv. Between February 2017 and December 2017, A&A paid a total of approximately $39,762 to Ferrari Financial Lease.

xv. Between March 2017 and December 2017, A&A paid a total of approximately $123,825 to Ten Thousand in Los Angeles, California, as rent for AVENATTI's residential apartment.

3. Information Regarding the Sale of AVENATTI's Residence in Laguna Beach and Purchase of AVENATTI's Residence in Newport Beach

59. As set forth below, the investigation has revealed that in November 2015 AVENATTI and L.S., AVENATTI's second wife, sold their home on McKnight Drive in Laguna Beach, California (the "Laguna Beach Residence"), for approximately $12.65 million, resulting in proceeds of approximately $5.4 million. It appears that the net proceeds of the sale were transferred to various entities AVENATTI controlled in an effort to conceal the proceeds of the sale. Substantial portions of the sale proceeds were also used for AVENATTI's personal purposes, including to finance the purchase of a $15.75 million home on Via Lido Nord in Newport Beach, California (the "Newport Beach Residence").

a. The Laguna Beach Residence

60. Based on my review of mortgage records obtained from Chase, I have learned that AVENATTI and L.S. purchased the Laguna Beach Residence for approximately $7.2 million in October 2011. AVENATTI and L.S. made a down-payment of approximately $2.2 million, and received a loan from Chase for approximately $5 million.

61. Based on my review of records obtained from the escrow company that worked on the sale of the Laguna Beach Residence ("Escrow Company 1") and discussions with Escrow Company 1's manager, J.M., I have learned, among other things, the following information regarding the sale of AVENATTI's Laguna Beach Residence in November 2015:

a. On or about October 22, 2015, AVENATTI and L.S. entered into a contract to sell the Laguna Beach Residence for approximately $12,625,000 in cash. Among other things, the contract required that escrow close on or before November 2, 2015, and that the buyer make a $350,000 non-refundable deposit that would be released to AVENATTI and L.S. on October 26, 2015.

b. On October 23, 2015, AVENATTI emailed his real estate broker, R.S., and instructed him to have Escrow Company 1 wire the $350,000 deposit funds to GBUS's KeyBank account ending in 6193 ("GBUS KeyBank 6193"). This email was then forwarded to J.M., who confirmed the wiring instructions by phone with AVENATTI on October 26, 2015.

c. On or about October 23, 2015, AVENATTI and L.S. also signed a form directing Escrow Company 1 to send the sale proceeds via wire to GBUS KeyBank 6193.

d. On or about October 26, 2015, Escrow Company 1 wired $350,000 to GBUS KeyBank Account 6193.

e. Escrow Company 1's files included a copy of a demand letter the IRS sent to M.H. on October 30, 2015. The demand letter indicated that AVENATTI's outstanding tax debt included on the notice of federal tax lien for the 2009 and 2010

tax years was approximately $1,042,879. J.M. did not recall having specific discussions with AVENATTI regarding the tax lien, but said that his standard practice in such situations was to discuss the issue with his client or, if his client was not challenging the lien, to instruct the client to get a demand letter or payoff amount.

f. On or about October 30, 2015, AVENATTI and L.S. electronically signed a seller's estimated closing statement, which indicated, among other things, that $1,042,879 would be disbursed to the IRS in connection with the IRS demand.

g. On November 2, 2015, Escrow Company 1 wired the remaining sale proceeds of approximately $4,553,889 to GBUS KeyBank 6193.

h. On or about November 3, 2015, Escrow Company 1 sent AVENATTI and L.S. a letter via their real estate broker confirming that escrow had closed on November 2, 2015. The letter confirmed the remaining proceeds of the sale in the amount of $4,553,889 had been wired on November 2, 2015. The letter also enclosed a copy of the final settlement and closing costs statement, as well as a copy of an IRS Form 1099-S (Proceeds From Real Estate Transactions), which indicated that the gross proceeds of the sale of the Laguna Beach property were $12,625,000.

i. When asked whether Escrow Company 1 submitted the IRS Form 1099-S to the IRS, J.M. said that Escrow Company 1's standard practice was to file each IRS Form 1099-S with the IRS through First American Title. During a subsequent conversation,

however, J.M. confirmed that the IRS Form 1099-S for the sale of AVENATTI's Laguna Beach Residence was never submitted to the IRS due to an error by Escrow Company 1.[40]

62. Based on a preliminary analysis of bank records associated with AVENATTI, GBUS, EA LLP, and other entities, it appears that AVENATTI diverted the profits he obtained from the sale of Laguna Beach Residence to a number of different entities that he controlled and to his personal bank accounts. Specifically, I have learned, among other things, the following regarding the proceeds from the sale of the Laguna Beach Residence:

a. On or about November 2, 2015, approximately $4,553,889 was transferred from Escrow Company 1 to GBUS KeyBank Account 6193.

b. On or about November 2, 2015, approximately $4,620,000 was transferred from GBUS KeyBank Account 6193 to GBUS CB&T Account 2240.

c. On or about November 2, 2015, approximately $4,600,000 was transferred from GBUS CB&T Account 2240 to an IOLTA attorney trust account associated with The X-Law Group in Los Angeles, California.

d. On or about November 3, 2015, the X-Law Group wired approximately $3,600,000 to GB Auto BofA Account 7412. As set forth in paragraphs 63.b and 63.c below, it appears that the

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[40] Based on my training and experience, I know that AVENATTI would still have been required to report the proceeds from the sale of the Laguna Beach Residence on his 2015 personal income tax return regardless of whether Escrow Company 1 filed the IRS Form 1099-S with the IRS.

remaining $1,000,000 that had been transferred to The X-Law Group was used to pay $1,000,000 in deposits for AVENATTI's purchase of the Newport Beach Residence.

e. Between on or about November 3 and November 4, 2015, $2,700,000 was paid from GB Auto Account 7412 to EA CB&T Account 2851.

f. On or about November 4, 2015, approximately $300,000 was transferred from EA CB&T Account 2851 to A&A CB&T Account 0661.

g. On or about November 4, 2015, approximately $300,000 was transferred from A&A CB&T Account 0661 to AVENATTI's personal bank account.

b. The Newport Beach Residence

63. Based on my review of records obtained from Escrow Company 1 and discussions with J.M., I have learned, among other things, the following regarding AVENATTI's Newport Beach Residence:

a. On or about September 23, 2015, AVENATTI and L.S. entered into an agreement to purchase the Newport Beach Residence from the G.P. Family Trust for approximately $15,750,000. The purchase agreement required AVENATTI and L.S. to pay an initial $200,000 deposit within three days, an additional non-refundable deposit of $800,000 by November 15, 2015, and monthly rent of $100,000 from December 1, 2015, until August 1, 2016, or the close of escrow.

b. On September 28, 2015, AVENATTI paid a $200,000 deposit to Escrow Company 1 via a cashier's check from The X-Law Group.

c. On or about November 6, 2015, AVENATTI paid an additional $800,000 deposit to Escrow Company 1 via two wire transfers from The X-Law Group's IOLTA attorney trust account in the amounts of $450,000 and $350,000.

d. In August 2016, approximately two days before escrow on the Newport Beach Residence was supposed to close, a lawsuit was filed in the Superior Court of California for Orange County by a Swiss company named Maseco, S.A., in which Maseco claimed that it was entitled to possession and title of the Newport Beach Residence. As a result, the close of escrow was delayed significantly due to litigation.

e. Ultimately, AVENATTI and L.S. never completed their purchase of the Newport Beach Residence.

64. As noted above, in 2016, AVENATTI paid to the G.P. Family Trust a total of $500,000 from A&A CB&T Account 0661 (see supra ¶ 58.d.x) and a total of $200,000 from GBUS CB&T Account 2240 (see supra ¶ 45).

4. Information from AVENATTI's Divorce Proceedings

65. On or about January 2, 2018, L.S. filed a declaration in connection with the divorce proceedings regarding her marriage to AVENATTI. In the declaration, L.S. said, among other things, the following:

a. AVENATTI and L.S. were married in May 2011 and separated in October 2017.

b. Until November 2017, AVENATTI and L.S. "enjoyed a lavish marital lifestyle due to [AVENATTI's] multi-million dollar annual income."

c. In November 2016, AVENATTI told L.S. he had earned $3.7 million in 2016.

d. L.S. suspected that AVENATTI's actual earnings are "substantially higher" than $3.7 million based on his self-published verdicts, their family's monthly expenses, and the fact that AVENATTI failed to share with her his tax returns or bank account records.

e. In 2016, L.S. spent approximately $215,643 per month on expenses for her and her son.

f. AVENATTI and L.S. made an approximately $5.4 million profit when they sold the Laguna Beach Residence in 2015.

g. AVENATTI's and L.S.'s home in Newport Beach was worth approximately $19 million and they were leasing the home for a monthly rent of $100,000. L.S. said that they spent "hundreds of thousands of dollars to fully remodel the Newport Beach residence."

h. AVENATTI and L.S. employed two nannies and various housekeepers at a cost of approximately $15,000 per month.

i. AVENATTI made quarterly payments to L.S. in the amount of $60,000 to $80,000 that AVENATTI and L.S. agreed could be added to her personal savings.

j. AVENATTI and L.S. spent approximately $30,000 per month on travel, entertainment, and gifts.

k. L.S. spent approximately $20,000 per month on clothing.

l. L.S.'s monthly American Express bill typically ranged from $60,000 to $70,000 and was always paid in full.

m. AVENATTI and L.S. owned two different private jets -- one through A&A and one through an entity called Passport 420. L.S. believed each private jet was worth approximately $4.5 million.

n. AVENATTI and L.S. had an investment in Exclusive Resorts. (See supra ¶ 58.d.xi.) L.S. indicated that the total yearly cost for the investment in, and use of, Exclusive Resorts was approximately $158,000.

o. In 2017, AVENATTI and L.S. bought an antique Ferrari at Ferrari Southbay.

p. AVENATTI drives a 2016 Ferrari GT Spider, leased in L.S.'s name, valued at $410,000.

q. AVENATTI has an extensive watch collection, including three or four Patek Phillippe watches AVENATTI told L.S. were worth $60,000 to $70,000 each.

5. AVENATTI's Statements Regarding His Net Worth

66. Based on my review of documents collected in connection with this investigation, I have learned that AVENATTI previously provided various banks with the following information regarding his net worth:

a. On or about May 19, 2013, AVENATTI provided HomeStreet with a "Personal Balance Sheet." The Personal Balance Sheet indicated that he had: (1) total assets of $40,039,000; (2) liabilities of $5,463,000; and (3) a net worth of $34,576,000.

b. On or about March 11, 2014, AVENATTI provided The Peoples Bank with a "Personal Balance Sheet." The Personal Balance Sheet indicated that AVENATTI had (1) total assets of $69,583,000; (2) total liabilities of $5,495,000; and (3) a net worth of $64,088,000. At the bottom of the Personal Balance Sheet there is a handwritten note signed by AVENATTI which states: "The above is true and correct to the best of my knowledge as of March 11, 2014."

c. On or about November 1, 2014, AVENATTI provided The Peoples Bank with an updated "Personal Balance Sheet." The updated Personal Balance Sheet stated that AVENATTI had: (1) total assets of $75,698,000; (2) total liabilities of $5,456,000; and (3) a net worth of $70,242,000.

67. Despite claiming that he had a net worth in 2013 and 2014 ranging from $34 million to $70 million, AVENATTI did not file any personal income tax returns during these tax years.

F. Fraud Offenses Relating to The Peoples Bank

68. As discussed below, there is probable cause to believe that between approximately January 2014 and April 2016 AVENATTI engaged in a scheme to defraud The Peoples Bank in Mississippi by submitting false documents, including false tax returns and

balance sheets, in connection with three separate loans AVENATTI and his companies sought and obtained.

69. Based on my review of publicly available information, I know that The Peoples Bank, which is located in Biloxi, Mississippi, has been federally insured by the Federal Insurance Deposit Commission ("FDIC") since approximately 1934.

70. Based on my review of records obtained from The Peoples Bank, I have learned, among other things, that AVENATTI obtained three separate loans from The Peoples Bank during 2014: (1) a loan to GB LLC for $850,500 on January 16, 2014 to mature on April 15, 2014; (2) a loan to EA LLP for $2,750,000 on March 14, 2014 to mature on June 15, 2014; and (3) a loan to EA LLP for $500,000 on December 12, 2014 to mature on December 12, 2015.[41] I have also reviewed IRS tax records and other bank account records that are relevant to these loans.

1. $850,000 Loan to GB LLC in January 2014

71. In or about January 2014, AVENATTI sought a three-month loan from The Peoples Bank for GB LLC in the amount of $850,500 for the specific purpose of "working capital." I have learned, among other things, the following regarding this loan:

a. AVENATTI personally guaranteed the loan, as did Doppio, and AVENATTI signed the loan documents as Manager of GB LLC. AVENATTI told C.S. -- the President and CEO of The Peoples

[41] Based on the interview with T.M. and the records obtained from The Peoples Bank, I have learned that M.C., an individual with whom AVENATTI had a business and litigation relationship in Seattle, Washington, introduced AVENATTI to C.S., the president and CEO of The Peoples Bank.

Bank -- that AVENATTI "own[ed] 90% of [GB] LLC through Doppio, Inc., which [he] wholly own[ed]."

b. The Peoples Bank provided a list of information they would need from AVENATTI before the bank could approve the loan. AVENATTI provided numerous documents to The Peoples Bank, including financial statements for GB LLC that listed over $41 million in assets for the company (including over $22 million in "International rights") and nearly $38 million in member's equity. AVENATTI also provided GB LLC's Operating Agreement dated December 12, 2012, the stock certificates for GB LLC and Doppio, and an irrevocable stock transfer signing over the stock certificates as collateral for the loan.

c. The Peoples Bank also told AVENATTI that, prior to authorizing the loan, the bank needed a "Taxpayer Statement and copy of most recent filed tax return." The Peoples Bank had a copy in its files of AVENATTI's 2011 U.S. Individual Income Tax Return (Form 1040). The AVENATTI 2011 Form 1040 that was provided to the bank listed AVENATTI's total income and adjusted gross income as $4,562,881, and indicated that he owed the IRS $1,506,707 in taxes for the 2011 tax year. The 2011 Form 1040 listed M.H. as the preparer. Based on a review of IRS records, however, I know that AVENATTI did not file any IRS Form 1040 for the 2011 tax year nor did he pay any taxes to the IRS for the 2011 tax year.

d. The Peoples Bank approved the loan and wired the loan proceeds to GB LLC's HomeStreet account, pursuant to AVENATTI's wire instructions. A third party, J.R.C., then

accepted assignment of the loan and became the "grantor" on the loan requiring AVENATTI to repay the loan to J.R.C.

2. $2,750,000 Loan to EA LLP in March 2014

72. In early March 2014, AVENATTI sought and obtained a three-month loan from The Peoples Bank for EA LLP in the amount of $2.75 million. I have learned, among other things, the following information regarding this loan:

a. AVENATTI told The Peoples Bank that the $2.75 million loan to EA LLP would be used to repay J.R.C. for the earlier $850,000 loan (plus interest), and for "working capital."

b. When seeking the loan, AVENATTI said that his firm was due approximately $19 million shortly from the settlement of the Scott v. SCI litigation, and that EA LLP and AVENATTI would sign a commercial pledge agreement requiring the escrow company in charge of the settlement proceeds to pay off the loan from The Peoples Bank first upon disbursement of the settlement funds. AVENATTI submitted a commercial loan application, which he signed both individually and on behalf of EA LLP. In the loan application, AVENATTI claimed that, as of March 10, 2014, EA LLP had assets and a net worth of approximately $21 million, and had income and revenues of approximately $15.7 million. AVENATTI also submitted Balance Sheets and Profit and Loss Statements for EA LLP through March 10, 2014, which stated, among other information, that the firm earned over $40 million in total income from January 2011 through March 10, 2014.

c. Additionally, AVENATTI emailed The Peoples Bank what purported to be EA LLP's 2012 U.S. Partnership Return, Form 1065 ("Peoples Bank 2012 Form 1065"). The Peoples Bank 2012 Form 1065, which stated that it was "Firm Prepared," declared that in 2012 EA LLP had gross receipts and total income of slightly over $11.4 million, and ordinary business income (calculated after subtracting expenses and deductions from the total income) of approximately $5.8 million. The Peoples Bank 2012 Form 1065 also attached a Schedule K-1, which showed the distribution of income or loss to the partners. The Schedule K-1 attached to the Peoples Bank 2012 1065 showed that AVENATTI, through A&A, received $4,364,592 in income from EA LLP in 2012.

d. I have reviewed the 2012 U.S. Partnership Return, Form 1065, that EA LLP actually filed with the IRS ("IRS 2012 Form 1065") on October 8, 2014, and compared it to the Peoples Bank 2012 Form 1065 AVENATTI submitted in March 2014. AVENATTI signed the IRS 2012 Form 1065 under penalty of perjury as the member manager. The IRS 2012 Form 1065 was prepared by M.H. (the CPA in Los Angeles, California, who served as the POA for GBUS). The IRS 2012 Form 1065 listed gross receipts and total income of approximately $6.2 million, and an ordinary business loss of approximately $2.13 million. The Schedule K-1 attached to the IRS 2012 Form 1065 listed an ordinary loss of approximately $1.6 million to A&A. Thus, the 2012 Form 1065 AVENATTI provided to The Peoples Bank claimed over $5.2 million more of gross receipts and nearly $8 million in additional ordinary business income (the difference between the business

income on the Peoples Bank 2012 Form 1065 and the business loss on the IRS 2012 Form 1065) than was reported on the actual Form 1065 that was filed with the IRS.

e. On or about March 14, 2014, the loan in the amount of $2.75 million was approved with a maturity date of June 15, 2014. In support of the loan, AVENATTI signed commercial pledge agreements on behalf of EA LLP, GB LLC, and Doppio, and a personal commercial guaranty. AVENATTI also signed a loan disbursement request, which instructed The Peoples Bank to repay J.R.C. the approximately $884,165.63 that was owed from the January 2014 $850,000 loan (plus interest), and to wire the remaining $1,824,584 to an EA LLP bank account at CB&T.

f. On or about May 23, 2014, after the Scott v. SCI settlement was finalized, the escrow company wired approximately $2,787,430 to The Peoples Bank to pay off the outstanding balance of the March 2014 loan.

3. $500,000 Loan to EA LLP in December 2014

73. In December 2014, AVENATTI obtained a $500,000 loan from The Peoples Bank to EA LLP. I have learned, among other things, the following information regarding this loan:

a. On November 10, 2014, AVENATTI emailed C.S. at The Peoples Bank to follow up on a prior discussion in which AVENATTI sought a $2.5 million line of credit from the bank for EA LLP to provide working capital for the needs of the law firm. AVENATTI offered certain guarantees and protections to the bank, including pledging an interest in an ongoing litigation to the

bank and a full security agreement to secure the loan, and to provide any further financial information the bank needed.

b. Two days later, on November 12, 2014, AVENATTI sent an additional email to C.S. attaching a spreadsheet that included EA LLP's "expected and estimated contingency fees in 2015." The spreadsheet indicated that the firm expected to receive approximately $165 million in gross recoveries from contingency cases, and the net costs and attorneys' fees due to EA LLP from these contingency cases would be approximately $47.6 million. AVENATTI further explained that the attached expected earnings of the firm "obviously does not reflect our projected gross hourly revenue from non-contingency cases in 2015."

c. On November 15, 2014, the bank told AVENATTI that for the bank to consider and move forward on the credit facility, AVENATTI would need to provide: an updated personal balance sheet; personal income tax returns for 2012 and 2013; interim internal financials of EA LLP through September or October 2014; and an audited financial statement for GB LLC and its subsidiaries.

d. Later on November 15, 2014, AVENATTI emailed back his personal balance sheet as of November 1, 2014, and stated that he would get the bank the other requested documents later. AVENATTI noted, however, that GB LLC and its subsidiaries did not have audited financials on an annual basis, but that there had been no material change to the audited GB LLC balance sheet from sixteen months earlier, which AVENATTI had previously provided to the bank. On the personal balance sheet, AVENATTI

listed over $75 million in total personal assets and a net worth of over $70 million. (See supra ¶ 66.c.)

e. On November 16, 2014, AVENATTI emailed The Peoples Bank the updated financials for EA LLP, including a Profit and Loss Statement, and a Balance Sheet for January 2014 through September 2014. The Profit and Loss Statement listed EA LLP's total income for the year up through September 2014 as approximately $23.4 million and its net income as approximately $18.2 million. The EA LLP Balance Sheet for the same time period claimed total current assets of over $31 million and net income of over $27 million (which is $9 million more than listed on the Profit and Loss statement for the same period). In addition, the EA LLP Balance Sheet that AVENATTI provided the bank indicated that EA LLP had approximately $712,729 in its operating account with CB&T ("EA LLP CB&T Account 8461"), as of September 30, 2014. Based on a review of the CB&T bank records, however, I know that EA LLP CB&T Account 8461 had a balance of approximately $27,710 as of September 30, 2014.

f. On November 22, 2014, C.S. at The Peoples Bank emailed AVENATTI stating that the bank still needed financial information on GB LLC (even if not audited) and AVENATTI's personal tax returns for 2012 and 2013. Soon thereafter, AVENATTI replied that he "had asked that the remaining info be forwarded to you [C.S.] and will follow-up in short order."

g. On November 25, 2014, AVENATTI emailed C.S. and attached a Profit and Loss Statement and Balance Sheet for GB LLC as of November 2, 2014, which listed the company's total

assets as approximately $41.3 million and total equity of approximately $35.4 million.

h. On or about December 1, 2014, AVENATTI provided The Peoples Bank with what were purported to be his 2012 and 2013 U.S. Individual Income Tax Returns (IRS Forms 1040).[42]

i. The 2012 IRS Form 1040 that AVENATTI provided to the Peoples Bank, included the following information: AVENATTI's filing status was "single;"[43] AVENATTI's total income and adjusted gross income were $5,423,099; the total tax due was $1,790,744; AVENATTI had made $1,600,000 in estimated tax payments in 2012 and still owed $190,744 in taxes; and the return was prepared by M.H. According to IRS records, however, AVENATTI did not file a 2012 Form 1040, and did not make any tax payments toward his 2012 individual tax liability.

j. Both the "draft" and subsequent version of the 2013 Form 1040 that AVENATTI provided to The Peoples Bank included the following information: AVENATTI's filing status was "single;" AVENATTI's total income and adjusted gross income were $4,082,803; AVENATTI had paid $1,353,511 to the IRS in 2013 ($1,250,000 in estimated tax payments and $103,511 in

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[42] The Peoples Bank deemed the 2013 IRS Form 1040 they received from AVENATTI via email on December 1, 2014, as a draft because they received a slightly different and updated 2013 IRS Form 1040 soon thereafter. The Peoples Bank also received 2011 and 2012 IRS Forms 1040 for AVENATTI. However, neither the 2011 Form 1040, 2012 Form 1040, nor the updated 2013 Form 1040 were attached to an email, so the bank is not certain if they received the documents via United States Postal Service or another method.

[43] AVENATTI married L.S. in 2011, however, the 2012 Form 1040 listed AVENATTI as single rather than married filing jointly or separately.

withholdings from W-2s or 1099s); and the return was prepared by M.H. The "draft" 2013 Form 1040 stated AVENATTI owed $1,305,482 in taxes for calendar year 2013, and based on his tax payments during the year, he wanted $48,029 applied to his 2014 estimated tax. The subsequent 2013 Form 1040 provided to The Peoples Bank claimed AVENATTI owed $1,459,000 in taxes for calendar year 2013, and that based on his tax payments during the year, he owed $105,489 to the IRS. According to IRS records, however, AVENATTI did not file a 2013 Form 1040, did not make any estimated tax payments toward his 2013 individual tax liability, and did not have any tax withholdings in 2013.

k. Although AVENATTI initially requested a $2.5 million line of credit for EA LLP, after receiving the required documentation from AVENATTI, The Peoples Bank issued EA LLP a $500,000 loan on December 12, 2014, which was set to mature on December 12, 2015. The loan was guaranteed by AVENATTI individually and by AVENATTI on behalf of EA LLP, GB LLC, and Doppio. AVENATTI also signed a Commercial Pledge Agreement in which EA LLP agreed to the "Assignment of the first $500,000 plus interest of settlement proceeds in the Meridian related cases, said attorney's fees to be $10.5 million plus out of pocket costs for class counsel [EA] LLP." M.C., who was the individual that initially put AVENATTI in touch with C.S. at The Peoples Bank, was serving as the Meridian Liquidating Trustee on the litigation. As part of the loan documents, on December 12, 2014, AVENATTI also signed a disbursement request and

authorization, which stated that the "specific purpose of this loan is: Case Costs and Working Capital."

l. On December 12, 2014, The Peoples Bank wired the loan proceeds, $494,500, to EA CB&T Account 8461. The same day, $350,000 was wired to a bank account for a lawyer who worked for EA LLP, and $105,000 was transferred to A&A CB&T Account 0661.

m. On February 24, 2015, M.C. informed C.S. at The Peoples Bank that the Meridian case settled and AVENATTI would be receiving approximately $2.5 million as part of the settlement. M.C. wanted to know if he had signed an assignment of proceeds to The Peoples Bank so he could determine where to send AVENATTI's money. C.S. told M.C. that EA LLP was obligated to pay off the loan, and said the bank could give AVENATTI the pay-off amount if he called.

n. On June 6, 2015, C.S. sent M.C. an email (forwarding the February 24, 2015 emails) after realizing that neither EA LLP nor AVENATTI had paid off the $500,000 loan to The Peoples Bank in February 2015 after the Meridian settlement. M.C. then forwarded the email to AVENATTI (copying C.S.) asking AVENATTI what his status or plan for the loan was. The bank's records do not show AVENATTI replied to the email.

o. On November 14, 2015, The Peoples Bank emailed AVENATTI regarding the $500,000 loan to EA LLP, which would be maturing on December 12, 2015. The Peoples Bank wanted to get an update because the bank's files showed it was supposed to be paid off months earlier with the proceeds of the Meridian settlement. Approximately 30 minutes later, C.S. emailed

AVENATTI thanking him for the quick response to the prior email (presumably, AVENATTI responded by phone), and C.S. told AVENATTI that he would need to pay off his current loan before The Peoples Bank could establish a line of credit for EA LLP as AVENATTI sought. C.S. also provided a list of documentation that AVENATTI would need to provide before the bank could authorize a line of credit.

p. On December 23, 2015, C.S. responded to the above emails and informed AVENATTI that the loan matured on December 12, 2015, and wanted to make sure the loan was paid off by the end of the year.

q. From February through April 2016, C.S. and others from The Peoples Bank reached out to AVENATTI on numerous dates to get an update on the past-due loan and find out when AVENATTI was going to pay off the loan. On a couple of occasions, AVENATTI said that a wire to pay off the loan would be coming by a certain date, but the money was never transferred to the bank.

r. In April 2016, C.S. informed AVENATTI that the bank would send the loan to its collections department on April 20, 2016, if the loan was not paid off by then, which would result in additional costs and fees to AVENATTI. On April 20, 2016, AVENATTI emailed the bank attaching documentation establishing that he would soon receive proceeds from a case and would instruct that the first part of the settlement proceeds be used to pay The Peoples Bank.

s. On April 22, 2016, the $500,000 EA LLP loan was finally paid off.

G. Fraud Offenses Relating to the $1.6 Million G.B. Settlement

74. As discussed below, there is probable cause to believe that AVENATTI: (a) defrauded EA LLP's client, G.B., out of his portion of an approximately $1.6 million settlement payment; (b) used the settlement proceeds for AVENATTI's own purposes; and (c) failed to disclose in the EA Bankruptcy that he had received the $1.6 million settlement payment, despite being aware that he was required to do so.

75. On or about January 14, 2019, G.B. filed an arbitration claim alleging that AVENATTI received $1.6 million in settlement proceeds from a prior arbitration proceeding against a Colorado-based company ("Company 1") and failed to turn over G.B.'s portion of the settlement proceeds to G.B. G.B. also reported the alleged fraud to the Federal Bureau of Investigation and Newport Beach Police Department. I have reviewed various records relating to G.B.'s claim, including, but not limited to, documents provided to the government by G.B.'s present counsel and by D.S., Company 1's counsel in the arbitration, and bank records from City National Bank.[44] Based on my review of these documents and records, I have learned, among other things, the following:

a. In approximately July 2014, G.B. retained EA LLP to represent him in various litigation matters, including an intellectual property dispute against Company 1. The fee

[44] I have learned that G.B. pleaded guilty to a felony theft count and received a term of probation. As such, I have relied primarily on the documentary evidence I have reviewed as it relates to possible fraud committed against G.B.

agreement entered into by G.B. and AVENATTI on behalf of EA LLP, included a 40 percent contingency agreement based on the amount of the recovery. After AVENATTI and EA LLP initially filed a civil complaint in federal court on behalf of G.B. against Company 1, the parties agreed to handle the case through private arbitration in Colorado.

b. On December 22, 2017, D.S. sent AVENATTI a draft settlement agreement to resolve the arbitration, which required Company 1 to pay G.B. $1.9 million, with $1.6 million due on January 10, 2018, and $100,000 due on January 10 of the three subsequent years.

c. On December 26, 2017, AVENATTI sent an email to D.S. with a Microsoft Word document entitled, "MJA Revised Draft," which still had the same payment amounts and dates. AVENATTI also stated in the email that he would provide wire instructions immediately prior to the execution of the agreement.

d. On December 27, 2017, AVENATTI sent another Microsoft Word document titled "Further Revised," to D.S., which was a revised version of the settlement agreement, with red-lines of the revisions AVENATTI made to the document. This revised settlement agreement also set the payment due dates as January 10, 2018 through 2021. The primary change AVENATTI made to this draft of the settlement agreement was to remove the requirement that the settlement payment be sent via wire transfer to a specific account identified in the agreement and instead required that the settlement payment be sent via wire

transfer to an account that AVENATTI would identify to D.S. via email by January 3, 2018.

e. On December 28, 2017, D.S. emailed AVENATTI a copy of the fully executed settlement agreement with both parties' signatures, as well as a stipulation to dismiss the matter from arbitration. The settlement agreement again listed the payment dates as January 10, 2018 through 2021.

f. The copy of the settlement agreement that was provided to G.B., however, listed the payment dates for the $1.9 million settlement as $1.6 million on March 10, 2018, and $100,000 on March 10 of each of the next three years.

g. On January 2, 2018, AVENATTI emailed D.S. with instructions to wire the settlement money to a City National Bank attorney trust account ending in 5566 ("CNB Trust Account 5566").[45] AVENATTI also wanted to confirm "that we are on track." D.S. responded that they were "on track."

h. On January 5, 2018, Company 1 wired the $1.6 million settlement into CNB Trust Account 5566 as directed by AVENATTI. City National Bank records confirm that the $1.6 million wire transfer was received in CNB Trust Account 5566. Prior to the $1.6 million wire transfer, CNB Trust Account 5566 had a balance of $0.

i. None of the $1.6 million in settlement funds that were deposited into CNB Trust Account 5566 were ever paid to G.B. Rather, between January 5, 2018, and March 14, 2018,

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[45] City National Bank records show that AVENATTI opened CNB Trust Account 5566 on December 28, 2017, the same date the settlement agreement was finalized and executed.

AVENATTI caused approximately $1,599,058 to be paid out of CNB Trust Account 5566 for his own personal purposes, including the following payments:

i. approximately $617,000 to a Florida-based attorney AVENATTI worked with on an unrelated contingency case;

ii. a total of approximately $350,000 paid to EA LLP bank accounts;

iii. a total of approximately $200,000 to GBUS and vendors of GBUS;

iv. a total of approximately $112,000 to a bank account in the name of "Michael Avenatti, Esq.";

v. approximately $46,000 to The X-Law Group; and

vi. approximately $27,000 to Dennis Brager, the lawyer who was representing GBUS in the IRS payroll collection case.

j. G.B. sent numerous text messages and emails to AVENATTI between January 2018 and November 2018. These text messages are consistent with G.B.'s claims that he believed the first settlement payment was due on March 10, 2018; did not know that Company 1 had made the $1.6 million settlement payment; and did not know that AVENATTI had received the settlement payment in January 2018.

k. As set forth below, beginning on March 10, 2018, the date that G.B. believed the settlement proceeds from Company 1 would be arriving, G.B. repeatedly asked AVENATTI if he had received the settlement proceeds, whether AVENATTI had heard

anything from Company 1 regarding when the money would arrive, and what, if anything, G.B. and AVENATTI could do to get the money G.B. was owed. It appears that AVENATTI did not respond to most of the messages from G.B. to AVENATTI relating to the settlement payment from Company 1. G.B. also made clear to AVENATTI that he had would be having financial difficulties without the settlement proceeds and that it was imperative for G.B. to get the money.

i. On or about March 10, 2018, G.B. sent a text message to AVENATTI stating "I was just thinking is this a big day from our friends at [Company 1]?"

ii. On March 12, G.B. sent AVENATTI a text message in which he said "[h]ere is my account information for the wire."

iii. On March 13, 2018, G.B. sent AVENATTI a text message saying, among other things, "any word on that wire from [Company 1]?"

iv. On March 14, 2018, G.B. sent AVENATTI a text message saying that he needed the settlement money and would be in trouble without the cash because he had made investments over the last four months in reliance on the settlement money coming in. The next day, March 15, 2018, AVENATTI replied, "Let's chat today - I'm sure it will be resolved."

v. Over the next couple weeks, G.B. sent several additional text messages to AVENATTI explaining how concerned G.B. was and expressing his need for the settlement money. On March 23, 2018, AVENATTI texted G.B. back and told

him "don't worry. Let's chat tmrw. We will figure this out. Michael."

vi. Through the rest of March to May 2018, G.B. repeatedly asked AVENATTI about the money, whether AVENATTI had heard from Company 1 about when the money was going to be sent, and what actions G.B. and AVENATTI could take to cause Company 1 to pay the agreed-upon settlement. AVENATTI never told G.B. the money had already come in. AVENATTI, however, agreed via text message to provide G.B. "advances" of money to assist him with expenses. Based on records provided by G.B.'s attorney, it appears that AVENATTI "advanced" G.B. approximately $130,000 between April 2018 and November 2018.

vii. Throughout October 2018 and up until approximately November 16, 2018, G.B. sent numerous text messages and emails to AVENATTI again describing G.B.'s dire financial situation and asking numerous questions about what actions they could take going forward to get G.B. his money. AVENATTI did not respond to most of the messages, but on a few occasions, AVENATTI replied, saying he was working on a solution and they could set a time to talk. AVENATTI never responded in writing to G.B.'s specific questions regarding the Company 1 settlement.

l. On or about November 16, 2018, after retaining new counsel to attempt to collect his settlement proceeds, G.B., through his counsel, learned that the actual settlement agreement had provided for the initial $1.6 million dollars to be paid on January 10, 2018, as opposed to March 10, 2018, as

G.B. had been led to believe, and that Company 1 had in fact made the $1.6 million settlement payment on January 5, 2018.

m. On November 17, 2018, G.B.'s new counsel sent a letter to AVENATTI via email, which stated that G.B. had been led to believe that Company 1 had not made the initial $1.6 million payment required under the settlement agreement and sought confirmation of this fact. The letter also requested a true and correct copy of the Settlement Agreement and any fee agreements AVENATTI and EA LLP had with G.B. Finally, the letter requested that if the settlement money had actually already been paid, to provide an immediate accounting concerning the funds.

n. At approximately 10:12 p.m. on November 17, 2018, AVENATTI sent two text messages to G.B. stating "Pls call me" and "What is this all about? Pls call me ASAP."[46] AVENATTI also called G.B.'s phone twice that night and left a voicemail at approximately 10:14 p.m., which included, in part, AVENATTI stating, "Give me a call when you get a chance. I mean as soon as possible if you get this please it's urgent. Thank you." At approximately 10:26 p.m., AVENATTI sent G.B. an email saying, "I just tried you on your cell. Please call me when you receive this. Thanks, Michael." To date, AVENATTI never responded to or provided documents as requested in the letter G.B.'s counsel sent AVENATTI on November 17, 2018.

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[46] Although AVENATTI was on notice that G.B. was represented by new counsel and had been contacted by said counsel rather than by G.B., AVENATTI contacted G.B. directly and made no known effort to communicate with G.B.'s new counsel.

76. As noted in paragraph 51 above, in connection with the EA Bankruptcy, EA LLP and AVENATTI were required to file with the Bankruptcy Court a MOR each month. AVENATTI, however, never disclosed the $1.6 million settlement payment from the G.B. case nor the existence of CNB Trust Account 5566 to the Bankruptcy Court, as he was required to do.[47] Rather, on February 15, 2018, AVENATTI signed and filed EA LLP's January 2018 MOR under penalty of perjury, which falsely stated that EA LLP had total receipts of approximately $232,221 during January 2018, based solely on deposits into the EA LLP's DIP CB&T bank account. Additionally, approximately $141,113 out of the $232,221 reported on the MOR was made up of two cashier's checks written from CNB Trust Account 5566, which came from the settlement proceeds. By using cashier's checks for these payments from CNB Trust Account 5566, AVENATTI hid the existence of this bank account from the Bankruptcy Court and EA LLP's creditors. Finally, based on the records it is clear that G.B. was represented by EA LLP in his case against Company 1; thus, I understand that any payment AVENATTI received from the G.B. case would be property of the bankruptcy estate.

V. ADDITIONAL INFORMATION REGARDING THE SUBJECT DEVICES

A. Collection of the Subject Devices

77. SUBEJECT DEVICE 1: On October 5, 2018, M.E. was served with a subpoena demanding that she produce certain

[47] It appears that AVENATTI also failed to disclose in the EA Bankruptcy the payments he received in connection with his representation of M.P. and L.T. and the CNB bank account into which such payments were deposited. (See supra page 103 n. 31.)

records relating to GBUS and GB LLC, including any digital devices used to conduct business on behalf of GBUS, GB LLC, and other related entities. On October 22, 2018, M.E. met with me and IRS-CI SA John Weeks[48] to produce responsive records. M.E. consented to have IRS-CI copy and secure evidence from her laptop computer. SA John Weeks took possession of the laptop, created an image of the laptop's hard drive (SUBJECT DEVICE 1), and returned the laptop to M.E. M.E. also produced a number of hard copy GBUS emails responsive to the subpoena. The hard copy emails were sealed in an envelope, marked as potentially tainted, and sent to a PRTAUSA in Los Angeles.[49] Neither the contents of SUBJECT DEVICE 1 nor the hard copy records produced by M.E. have been reviewed by me or any other member of the prosecution team. Based on my discussions with M.E., however, I understand that SUBJECT DEVICE 1 contains copies of her GBUS emails and other GBUS records.

78. SUBJECT DEVICE 2: On October 5, 2018, S.F. was served with a subpoena demanding that she produce certain records relating to GBUS and GB LLC, including any digital devices used to conduct business on behalf of GBUS, GB LLC, and other related entities. On October 21, 2018, SA James Kim and I met with S.F. to obtain records responsive to the subpoena. S.F. produced to

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[48] SA Weeks is an IRS Computer Investigative Specialist ("CIS"). SA Weeks is not part of the investigative team. Rather, SA Weeks involvement in this investigation has been limited to the forensic collection of digital evidence.

[49] Because the hard copy documents were produced by M.E. in response to specific requests in the subpoena, the government is not seeking a warrant to search these documents.

us two boxes of documents, which she indicated consisted of GBUS mail and invoices. S.F. also consented to have IRS agents copy and secure evidence from her laptop computer, and allowed us to take temporary custody of the computer. SA Weeks subsequently created a forensic image of S.F.'s laptop (SUBJECT DEVICE 2), which we returned to her on October 25, 2018. The contents of SUBJECT DEVICE 2 have not been reviewed by me or any other member of the prosecution team. Based on my discussions with S.F., however, I understand that SUBJECT DEVICE 2 contains copies of her GBUS emails and other GBUS records. The hard copy documents were mailed to IRS-CI's office in Laguna Niguel and reviewed by an IRS-CI privilege review SA. The privilege review SA confirmed, after consulting with a PRTAUSA, that the hard copy documents did not contain potentially privileged information, and then released them to me to review.

79. SUBJECT DEVICE 3: On October 5, 2018, M.G. was served with a subpoena demanding that she produce certain records relating to GBUS and GB LLC, including any external hard drives that she used to store business records relating to GBUS, GB LLC, and other entities. On October 22, 2018, M.G. met with me and SA Weeks to produce responsive records. M.G. consented to have IRS-CI copy and secure evidence from her external hard drive. SA Weeks took possession of the hard drive, created a forensic image of the hard drive (SUBJECT DEVICE 3), and returned the hard drive to M.G. M.G. also consented to have IRS-CI secure all text messages between her and RO 1, which SA Weeks retrieved from her cell phone. Neither the contents of

SUBJECT DEVICE 3 nor the text messages have been reviewed by me or any other member of the prosecution team. Based on my discussions with M.G., however, I understand that SUBJECT DEVICE 3 contains copies of M.G.'s GBUS emails and other GBUS records.

80. SUBJECT DEVICE 4: On October 22, 2018, V.S. was served with a subpoena demanding that he produce certain records relating to GBUS and GB LLC, including any digital devices used to conduct business on behalf of GBUS, GB LLC, and other related entities. In response to the subpoena, on October 29, 2018, I received SUBJECT DEVICE 4 and certain hard copy records from V.S. SUBJECT DEVICE 4 was sent to IRS-CI SA John Weeks to download and secure the evidence. The hard copy documents were sealed and then provided to an IRS-CI privilege review SA. The privilege review SA confirmed, after consulting with a PRTAUSA, that the hard copy documents did not contain potentially privileged information, and then released the documents to me to review. The contents of SUBJECT DEVICE 4 have been not reviewed by me or any other member of the prosecution team. Based on my discussions with V.S., however, I understand that SUBJECT DEVICE 4 contains copies of V.S.'s GBUS emails and other GBUS records.

81. SUBJECT DEVICE 5 and SUBJECT DEVICE 6: On October 25, 2018, A.G. was served with a subpoena demanding that he produce certain records relating to GBUS and GB LLC, including any digital devices used to conduct business on behalf of GBUS, GB LLC, and other related entities. On November 13, 2018, A.G. met with me and an IRS CIS, and provided us with a Seagate external hard drive and Veeam 2GB flash drive. A.G. consented to have

IRS-CI copy and secure the evidence from these devices. An IRS CIS took possession of the devices, created forensic images of the hard drive (SUBJECT DEVICE 5) and the flash drive (SUBJECT DEVICE 6), and then returned the devices to A.G. the next day. Based on my discussions with A.G., I understand that SUBJECT DEVICE 5 and SUBJECT DEVICE 6 contain GBUS business records, including GBUS business records that an IT consultant, J.S., downloaded from the AWS cloud server before AWS and 2nd Watch discontinued GBUS's services for non-payment of its fees. The contents of SUBJECT DEVICE 5 and SUBJECT DEVICE 6 have not been reviewed by me or any other member of the prosecution team.

82. SUBJECT DEVICE 7: On November 20, 2018, SA Weeks received from A.G. a Seagate external hard drive[50] containing additional records responsive to the October 25, 2018, subpoena. SA Weeks then created a forensic image of the hard drive (described herein as SUBJECT DEVICE 7). I then mailed the device back to A.G. on December 3, 2018. Based on my discussions with A.G. and SA Weeks, I understand that SUBJECT DEVICE 7 contains approximately 1.5 million emails that J.S. downloaded from the AWS cloud server before GBUS's services were discontinued. SA Weeks further advised me that SUBJECT DEVICE 7 contains a number of GBUS email mailboxes, including email mailboxes associated with the following former GBUS employees: A.G.; B.H.; M.D.; M.E.; M.G.; S.F.; T.M.; and V.S. Notably,

[50] I understand that A.G. used the same Seagate external hard drive he provided to IRS-CI on November 13, 2018, to produce this additional data to IRS-CI.

SUBJECT DEVICE 7 does not appear to contain any email mailboxes associated with AVENATTI.[51] Although SA Weeks provided me with a list of the email mailboxes stored on SUBJECT DEVICE 7, the specific contents of SUBJECT DEVICE 7 have not been reviewed by me or any other member of the prosecution team.

B. The SUBJECT DEVICES Are Unlikely to Contain Attorney-Client Privileged Communications or Records

83. Although AVENATTI is a licensed attorney and has previously claimed in connection with the IRS collection case that he served as GBUS's General Counsel, it is highly unlikely that the SUBJECT DEVICES will contain information protected by the attorney-client privilege for the following reasons:

a. First, on February 19, 2019, the GBUS Trustee (see supra Section IV.C.7) executed a written waiver of the attorney-client privilege as to any communications between GBUS's officer, directors, employees, and agents, and any lawyer acting on GBUS's behalf, including any communications with AVENATTI.[52] The Trustee has also consented to a search of the

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[51] As noted in Section IV.C.3 above, multiple former GBUS employees indicated that although AVENATTI had a GBUS email account, he did not use it to conduct business on behalf of GBUS, and used his EA LLP email account instead.

[52] The written waiver is limited to attorney-client communications prior to the filing of the involuntary bankruptcy petition on October 24, 2018, and does not cover communications between the GBUS Trustee and any lawyers acting on behalf of the GBUS Trustee. Based on when the SUBJECT DEVICES were collected and my discussions with the former GBUS employees regarding the general contents of the SUBJECT DEVICES, I do not believe the SUBJECT DEVICES include any communications that occurred or records that were created after October 24, 2018, or any communications involving the GBUS Trustee.

SUBJECT DEVICES. A copy of the Trustee's written waiver of the attorney-client privilege is attached hereto as Exhibit 1.

b. Second, the former GBUS employees who have been interviewed during the investigation have all indicated that AVENATTI primarily, if not exclusively, served in a business capacity, and did little to no legal work for GBUS. Indeed, all of the former GBUS employees considered AVENATTI to be the CEO and Chairman of GBUS, as opposed to its General Counsel. It is therefore highly unlikely that any of the former GBUS employees' emails contained on the SUBJECT DEVICES would constitute attorney-client privileged communications. But, to the extent AVENATTI was acting as GBUS's lawyer, any of the individual GBUS employees' communications with AVENATTI are covered by the Trustee's written waiver of the attorney-client privilege referenced in paragraph 83.a above and attached hereto as Exhibit 1.

84. Third, I understand AVENATTI could potentially assert that he had an individual attorney-client relationship with certain lawyers that also represented GBUS, such as the Eisenhower law firm, which represented GBUS in the Bellevue Square Litigation, or The Brager Tax Law Group. I have no reason to believe, however, that communications between AVENATTI and any lawyers representing him in an individual capacity are contained on the SUBJECT DEVICES. Based on the evidence collected to date and witness interviews, I understand that AVENATTI exclusively used his EA LLP email account to conduct business on behalf of GBUS. Further, to the best of my

knowledge, the SUBJECT DEVICES do not contain a backup of AVENATTI's GBUS email account, which in any case GBUS employees said AVENATTI never used.[53]

85. For the foregoing reasons, I believe that the SUBJECT DEVICES will contain limited, if any, attorney-client communications and that any such attorney-client communications on the SUBJECT DEVICES are subject to the written waiver of the attorney-client privilege executed by the Trustee for GBUS. Accordingly, a privilege review search protocol that encompasses all of AVENATTI's communications with GBUS employees is unnecessary and would significantly delay this investigation. Nevertheless, as set forth in Attachment B to the search warrant application, a privilege review team will conduct a limited search of the devices for communications with the following five law firms with which AVENATTI may claim that he had an individual attorney-client relationship: (a) Foster Pepper PLLC; (b) Osborn Machler PLLC; (c) Eisenhower Carlson PLLC; (d) Talmadge/Fitzpatrick/Tribe, PPLC; and (e) The Brager Tax Law Group. The search team will also be advised of the possibility that AVENATTI could claim that he had an individual attorney-client relationship with other law firms or lawyers. To the extent the search team discovers any individual communications between AVENATTI and lawyers from the five identified law firms

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[53] To the extent any of the SUBJECT DEVICES do in fact contain a backup of AVENATTI's GBUS email accounts, paragraph 8 of Attachment B to the search warrant application requires that any such email accounts be immediately segregated and not searched or reviewed absent further authorization from the Court.

or any other law firms, the search team will immediately cease its review of those communications and provide them to the PRTAUSA for further review and, if necessary, relief from the Court.

VI. TRAINING AND EXPERIENCE ON DIGITAL DEVICES

86. As used herein, the term "digital device" includes any electronic system or device capable of storing or processing data in digital form, including central processing units; desktop, laptop, notebook, and tablet computers; personal digital assistants; wireless communication devices, such as telephone paging devices, beepers, mobile telephones, and smart phones; digital cameras; gaming consoles (including Sony PlayStations and Microsoft Xboxes); peripheral input/output devices, such as keyboards, printers, scanners, plotters, monitors, and drives intended for removable media; related communications devices, such as modems, routers, cables, and connections; storage media, such as hard disk drives, floppy disks, memory cards, optical disks, and magnetic tapes used to store digital data (excluding analog tapes such as VHS); and security devices.

87. Based on my knowledge, training, and experience, as well as information related to me by agents and others involved in the forensic examination of digital devices, I know that it is not always possible to search digital devices for digital data in a single day or even over several weeks for a number of reasons, including the following:

a. Searching digital devices can be a highly technical process that requires specific expertise and specialized equipment. There are so many types of digital devices and software programs in use today that it takes time to conduct a thorough search. In addition, it may be necessary to consult with specially trained personnel who have specific expertise in the type of digital device, operating system, and software application being searched.

b. Digital data is particularly vulnerable to inadvertent or intentional modification or destruction. Searching digital devices can require the use of precise, scientific procedures that are designed to maintain the integrity of digital data and to recover "hidden," erased, compressed, encrypted, or password-protected data. As a result, a controlled environment, such as a law enforcement laboratory or similar facility, is essential to conducting a complete and accurate analysis of data stored on digital devices.

c. Based on my discussions with IRS-CI SA John Weeks, I understand the SUBJECT DEVICES may contain a substantial of data. A single megabyte of storage space is the equivalent of 500 double-spaced pages of text. A single gigabyte of storage space, or 1,000 megabytes, is the equivalent of 500,000 double-spaced pages of text.

d. Electronic files or remnants of such files can be recovered months or even years after they have been downloaded

onto a hard drive, deleted, or viewed via the Internet.[54] Electronic files saved to a hard drive can be stored for years with little or no cost. Even when such files have been deleted, they can be recovered months or years later using readily-available forensics tools. Normally, when a person deletes a file on a computer, the data contained in the file does not actually disappear; rather, that data remains on the hard drive until it is overwritten by new data. Therefore, deleted files, or remnants of deleted files, may reside in free space or slack space, i.e., space on a hard drive that is not allocated to an active file or that is unused after a file has been allocated to a set block of storage space, for long periods of time before they are overwritten. In addition, a computer's operating system may also keep a record of deleted data in a swap or recovery file. Similarly, files that have been viewed on the Internet are often automatically downloaded into a temporary directory or cache. The browser typically maintains a fixed amount of hard drive space devoted to these files, and the files are only overwritten as they are replaced with more recently downloaded or viewed content. Thus, the ability to retrieve residue of an electronic file from a hard drive depends less on when the file was downloaded or viewed than on a particular user's operating system, storage capacity, and computer habits. Recovery of residue of electronic files from a hard drive

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[54] These statements do not generally apply to data stored in volatile memory such as random-access memory, or "RAM," which data is, generally speaking, deleted once a device is turned off.

requires specialized tools and a controlled laboratory environment. Recovery also can require substantial time.

e. Although some of the records called for by this warrant might be found in the form of user-generated documents (such as word processing, picture, and movie files), digital devices can contain other forms of electronic evidence as well. In particular, records of how a digital device has been used, what it has been used for, who has used it, and who has been responsible for creating or maintaining records, documents, programs, applications and materials contained on the digital devices are, as described further in the attachments, called for by this warrant. Those records will not always be found in digital data that is neatly segregable from the hard drive image as a whole. Digital data on the hard drive not currently associated with any file can provide evidence of a file that was once on the hard drive but has since been deleted or edited, or of a deleted portion of a file (such as a paragraph that has been deleted from a word processing file). Virtual memory paging systems can leave digital data on the hard drive that show what tasks and processes on the computer were recently used. Web browsers, e-mail programs, and chat programs often store configuration data on the hard drive that can reveal information such as online nicknames and passwords. Operating systems can record additional data, such as the attachment of peripherals, the attachment of USB flash storage devices, and the times the computer was in use. Computer file systems can record data about the dates files were created and the sequence

in which they were created. This data can be evidence of a crime, indicate the identity of the user of the digital device, or point toward the existence of evidence in other locations. Recovery of this data requires specialized tools and a controlled laboratory environment, and also can require substantial time.

f. Further, evidence of how a digital device has been used, what it has been used for, and who has used it, may be the absence of particular data on a digital device. For example, to rebut a claim that the owner of a digital device was not responsible for a particular use because the device was being controlled remotely by malicious software, it may be necessary to show that malicious software that allows someone else to control the digital device remotely is not present on the digital device. Evidence of the absence of particular data on a digital device is not segregable from the digital device. Analysis of the digital device as a whole to demonstrate the absence of particular data requires specialized tools and a controlled laboratory environment, and can require substantial time.

g. Digital device users can attempt to conceal data within digital devices through a number of methods, including the use of innocuous or misleading filenames and extensions. For example, files with the extension ".jpg" often are image files; however, a user can easily change the extension to ".txt" to conceal the image and make it appear that the file contains text. Digital device users can also attempt to conceal data by

using encryption, which means that a password or device, such as a "dongle" or "keycard," is necessary to decrypt the data into readable form. In addition, digital device users can conceal data within another seemingly unrelated and innocuous file in a process called "steganography." For example, by using steganography a digital device user can conceal text in an image file that cannot be viewed when the image file is opened. Digital devices may also contain "booby traps" that destroy or alter data if certain procedures are not scrupulously followed. A substantial amount of time is necessary to extract and sort through data that is concealed, encrypted, or subject to booby traps, to determine whether it is evidence, contraband or instrumentalities of a crime. In addition, decryption of devices and data stored thereon is a constantly evolving field, and law enforcement agencies continuously develop or acquire new methods of decryption, even for devices or data that cannot currently be decrypted.

h. The search of the SUBJECT DEVICES will likely take a considerable amount of time for multiple reasons. First, as noted above, the SUBJECT DEVICES contain a substantial amount of data. For example, I understand that SUBJECT DEVICE 7 alone contains approximately 1.5 million emails. Second, the search of the SUBJECT DEVICES will require the use of a Privilege Review Team and the search protocols set forth in Attachment B to the search warrant application.

88. Other than what has been described herein, to my knowledge, the United States has not attempted to obtain this data by other means.

VII. REQUEST FOR SEALING

89. I request that the search warrant, the search warrant application, and this affidavit be kept under seal to maintain the integrity of this investigation until further order of the Court, or until the government determines that these materials are subject to its discovery obligations in connection with criminal proceedings, at which time they may be produced to defense counsel. I make this request for several reasons.

a. First, this criminal investigation is ongoing and is neither public nor known to AVENATTI and other subjects of the investigation. Disclosure of the search warrant, application, and this affidavit could cause AVENATTI and others to accelerate any existing or evolving plans to, and give them an opportunity to, destroy or tamper with evidence, tamper with or intimidate witnesses, change patterns of behavior, or notify confederates.

b. Second, based on evidence collected to date and described herein, there is probable cause to believe that AVENATTI took a number of affirmative actions to obstruct the IRS civil collection action relating to GBUS's unpaid payroll taxes by, among other things, lying to RO 1, changing contracts, merchant accounts, and bank account information to avoid liens and levies imposed by the IRS, and instructing employees to deposit over $800,000 in cash from Tully's stores, which were

owned and operated by GBUS, into a bank account associated with a separate entity to avoid liens and levies by the IRS. If AVENATTI were to learn of the instant investigation he might engage in similarly obstructive conduct.

c. Third, a number of former GBUS employees have expressed concerns that AVENATTI might attempt to retaliate against them if he learned they were cooperating with the government's investigation.

d. Fourth, there is a possibility that some evidence relating to GBUS's operations may have already been lost when GBUS was evicted from its corporate offices and AVENATTI refused to pay the bill for GBUS's cloud-based server. Although IRS-CI has been able to obtain some GBUS records, including the data stored on the SUBJECT DEVICES, from other sources, AVENATTI's apparent willingness to allow GBUS records to be lost or destroyed raises a concern that, were AVENATTI to learn of the instant investigation, he might not hesitate to destroy any remaining GBUS records and other relevant evidence.

e. Fifth, the government is still attempting to locate additional documentary evidence that is relevant to the investigation, including emails and electronic records that may be stored by AVENATTI, EA LLP, A&A, or other related entities. As noted herein, AVENATTI appears to have worked primarily out of EA LLP's office and used solely his EA LLP email address to conduct business. The government is still attempting to identify the internet service provider AVENATTI used for EA LLP's email accounts and/or the location of his email server.

Additionally, EA LLP was recently evicted from its offices in Newport Beach, California, and investigators have yet to determine where EA LLP's records are being currently stored. If alerted to the government's investigation, it is therefore possible that AVENATTI would attempt to destroy such records and that the government would have no other means to obtain this evidence.

VIII. CONCLUSION

90. For the reasons described above, I respectfully submit there is probable cause to believe that evidence, fruits, and instrumentalities of the Subject Offenses, as described with particularity in Attachment B, will be found on the SUBJECT DEVICES, as described with particularity in Attachment A.

/s/

Remoun Karlous, Special Agent
Internal Revenue Service -
Criminal Investigation

Subscribed to and sworn before me
this 22nd day of February, 2019.

DOUGLAS F. McCORMICK

HONORABLE DOUGLAS F. McCORMICK
UNITED STATES MAGISTRATE JUDGE

EXHIBIT 1

LIMITED WAIVER OF ATTORNEY-CLIENT PRIVILEGE AND CONSENT TO SEARCH BY NANCY L. JAMES IN HER CAPACITY AS TRUSTEE FOR GLOBAL BARISTAS US, LLC

I, Nancy L. James, in my capacity as the Trustee for Global Baristas US LLC, hereby agree and state as follows:

1. On or about October 24, 2018, a Chapter 7 involuntary bankruptcy petition was filed against Global Baristas US, LLC ("GBUS"), in the United States Bankruptcy Court for the Western District of Washington, in In re: Global Baristas US LLC, No. 18-14095-TWD (the "GBUS Bankruptcy"). On November 30, 2018, an Order for Relief was issued in connection with GBUS Bankruptcy, and I was appointed as the Trustee for GBUS.

2. I understand that the Internal Revenue Service – Criminal Investigations ("IRS-CI") is in possession of certain GBUS business records and communications it obtained from former GBUS employees in both hard-copy and electronic form, as described in paragraph 3, below.

3. In my capacity as Trustee for GBUS, I consent to the search of the following items currently in the possession of IRS-CI:

a. A forensic image of a Dell XPS 128 GB Samsung SSD, bearing serial number S1D2NSAG5000777, provided to IRS-CI by M[redacted] E[redacted] on or about October 22, 2018.

b. Hard-copy GBUS records provided by M[redacted] E[redacted] on or about October 22, 2018.

c. A forensic image of a Dell Precision, Model M4800, bearing service tag number 252M262, provided to IRC-CI by S[redacted] F[redacted] on or about October 21, 2018.

d. Hard-copy GBUS records provided by S[redacted] F[redacted] on or about October 21, 2018.

e. A forensic image of a Seagate External Hard Drive, model number SRD00F1, bearing serial number NA44HLQH, provided to IRS-CI by M[redacted] G[redacted] on or about October 22, 2018.

f. Copies of text messages between M[redacted] G[redacted] and other GBUS employees obtained from Grice on or about September 26, 2018.

g. A forensic image of a Samsung flash drive provided to IRS-CI by V[redacted] S[redacted] on or about October 31, 2018.

h. Hard-copy GBUS business records provided to IRS-CI by V[redacted] S[redacted] on or about October 31, 2018.

i. A forensic image of a Seagate Hard Drive, bearing serial number 5VJC1GXV provided to IRS-CI by A[redacted] G[redacted] on or about November 13, 2018.

j. A forensic image of a Veeam 2GB flash drive provided to IRS-CI by A[redacted] G[redacted] on or about November 13, 2018.

k. A forensic image of a Seagate Hard Drive, bearing serial number 5VJC1GXV provided to IRS-CI by A[redacted] G[redacted] on or about November 20, 2018.

4. With respect to any GBUS business records, including those records and communications in the possession of IRS-CI described in paragraph 3 above, in my capacity as the Trustee for GBUS, I agree to waive any claims of the attorney-client privilege that may exist between GBUS and any legal counsel acting on its behalf. More specifically, and subject to the limitations below, I agree to waive the attorney-client privilege as to any attorney-client communications which may exist between any officer, director, employee, or agent of GBUS on the one hand, and on the other hand any lawyer acting on behalf of GBUS, including, but not limited to, the following individuals and law firms: Michael Avenatti; Eagan Avenatti LLP; Avenatti & Associates APC; Foster Pepper PLLC; Osborn Machler PLLC; Eisenhower Carlson PLLC; and Talmadge/Fitzpatrick/Tribe, PPLC.

5. This waiver of the attorney-client privilege is limited in that it does not apply to any attorney-client privileged communications that took place after the involuntary petition was

filed in the GBUS Bankruptcy on October 24, 2018. Nor does it apply to any communications between the Trustee of GBUS and any lawyers acting on behalf of the Trustee, including, but not limited to, Rory C. Livesey and the Livesey Law Firm. This waiver of the attorney-client privilege is further limited to the United States government and its employees and agents, for any purpose related to the official performance of their duties, and does not extend to any other individual, entity or third party.

6. In my capacity as Trustee for GBUS, I also authorize any former or current officer, directors, employees, or agents of GBUS to disclose to the United States government all materials, written or oral, relating to any attorney-client privileged communications covered by the limited attorney-client privilege waiver set forth in paragraphs 5 and 6 above.

7. I have read this Limited Waiver of the Attorney-Client Privilege and Consent to Search carefully and understand it thoroughly. I, in my capacity as Trustee for GBUS, have agreed to this Limited Waiver of the Attorney-Client Privilege and Consent to Search freely and voluntarily.

/Nancy L. James/ 2-19-19

NANCY L. JAMES Date

Trustee for Global Baristas US LLC

EXHIBIT 6

PANSKYMARKLE
ADVISORS TO THE LEGAL PROFESSION®

1010 Sycamore Ave., Suite 308 | South Pasadena, CA 91030 | T 213.626.7300 | F 213.626.7330
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March 29, 2019

VIA EMAIL: Joy.Nunley@calbar.ca.gov
AND U.S. FIRST CLASS MAIL

Joy Nunley, Investigator
Office of the Chief Trial Counsel
Enforcement
State Bar of California
845 S. Figueroa Street
Los Angeles, CA 90017

Re: State Bar Matter Nos: 19-O-10483 (Bledsoe) and 18-O-17172 (Brown)
My client: Michael Avenatti, Esq.

Dear Ms. Nunley:

As you know, I am representing Mr. Avenatti ibn connection with these pending State Bar investigations. As I am sure you also are well aware, Mr. Avenatti was arrested in New York last Monday, and he is being charged in criminal proceedings in both New York and California. As he was compiling information for me to use to provide the responses due to your office, his computers and files were seized by the authorities, and he also is now precluded from communicating with his assistant. Consequently, it is not possible for him to provide me with the information and materials needed to complete my letters of explanation. He has a court appearance in California on Monday, and expects to request the judge to permit him access to his files and records so that we will be able to provide you with the written explanations in the very near future.

Please feel free to call me to discuss. Otherwise, I will be in touch with you again next week with a status update for you.

As always, thank you for your professional courtesies and cooperation, which I much appreciate.

Very truly yours,

Ellen A. Pansky

EAP/vm

EXHIBIT 7

UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

SOUTHERN DIVISION

September 2018 Grand Jury

UNITED STATES OF AMERICA,

Plaintiff,

v.

MICHAEL JOHN AVENATTI,

Defendant.

SA CR No. 19-SACR19-00061 JVS

I N D I C T M E N T

[18 U.S.C. § 1343: Wire Fraud; 26 U.S.C. § 7202: Willful Failure to Collect and Pay Over Withheld Taxes; 26 U.S.C. § 7212(a): Endeavoring to Obstruct the Administration of the Internal Revenue Code; 26 U.S.C. § 7203: Willful Failure to File Tax Return; 18 U.S.C. § 1344(1): Bank Fraud; 18 U.S.C. § 1028A(a)(1): Aggravated Identity Theft; 18 U.S.C. § 152(3): False Declaration in Bankruptcy; 18 U.S.C. § 152(2): False Testimony Under Oath in Bankruptcy; 18 U.S.C. § 2(b): Causing an Act to Be Done; 18 U.S.C. §§ 981(a)(1)(C), 982, 1028 and 28 U.S.C. § 2461(c): Criminal Forfeiture]

The Grand Jury charges:

COUNTS ONE THROUGH TEN

[18 U.S.C. § 1343]

A. INTRODUCTORY ALLEGATIONS

1. At all relevant times:

a. Defendant MICHAEL JOHN AVENATTI ("AVENATTI") was a resident of Orange and Los Angeles Counties, within the Central District of California.

b. Defendant AVENATTI was an attorney licensed to practice law in the State of California. Defendant AVENATTI provided legal services to clients in exchange for attorneys' fees.

c. Defendant AVENATTI practiced law through Eagan Avenatti LLP ("EA LLP") and Avenatti & Associates, APC ("A&A"). EA LLP and A&A's principal offices were located in Newport Beach and Los Angeles, California.

d. A&A was a professional corporation organized in California. Defendant AVENATTI was A&A's Chief Executive Officer ("CEO"), Secretary, Chief Financial Officer, and sole director. Defendant AVENATTI owned 100 percent of A&A.

e. EA LLP was a limited liability partnership organized in California. Defendant AVENATTI was EA LLP's managing member and managing partner. Through A&A, defendant AVENATTI owned at least 75 percent of EA LLP.

f. Defendant AVENATTI was also the effective owner and controlled a number of other entities, including:

i. Global Baristas US LLC ("GBUS"), which operated Tully's Coffee ("Tully's") stores in Washington and California;

ii. Global Baristas, LLC ("GB LLC"), which wholly owned GBUS;

iii. GB Autosport, LLC ("GB Auto"), which managed defendant AVENATTI's car racing team; and

iv. Passport 420, LLC ("Passport 420"), which held title to a private airplane defendant AVENATTI used.

g. Defendant AVENATTI was a signatory on and exercised control over the following bank accounts, which were all maintained in Orange and Los Angeles Counties, within the Central District of California:

i. California Bank & Trust ("CB&T") attorney trust account ending in x8541 in the name of "The State Bar of California, Eagan Avenatti LLP, Attorney Client Trust Fund" ("EA Trust Account 8541").

ii. CB&T attorney trust account ending in x3714 in the name of "The State Bar of California, Eagan Avenatti LLP, Attorney Client Trust Account" ("EA Trust Account 3714").

iii. CB&T attorney trust account ending in x4613 in the name of "State Bar of California, Eagan Avenatti LLP, Attorney Client Trust Account" ("EA Trust Account 4613").

iv. CB&T attorney trust account ending in x8671 in the name of "The State Bar of California, Eagan Avenatti LLP, Attorney Client Trust Account" ("EA Trust Account 8671").

v. CB&T account ending in x2851 in the name of "Eagan Avenatti LLP" ("EA Account 2851").

vi. CB&T account ending in x8461 in the name of "Eagan Avenatti LLP, Operating Account" ("EA Account 8461").

vii. CB&T account ending in x0313 in the name of "Eagan Avenatti LLP, Debtor-in-Possession Case 8:17-BK-11961-CB, General Account" ("EA DIP Account 0313").

viii. CB&T account ending in x0661 in the name of "Avenatti & Assoc. A Professional Corp." ("A&A Account 0661").

ix. City National Bank ("CNB") attorney trust account ending in x5566 in the name of "Michael J. Avenatti, Attorney Client Trust Account" ("Avenatti Trust Account 5566").

x. CNB attorney trust account ending in x4705 in the name of "Michael J. Avenatti, Esq., Attorney Client Trust Account" ("Avenatti Trust Account 4705").

xi. CB&T account ending in x2240 in the name of "Global Baristas US LLC, Operating Account" ("GBUS Operating Account 2240").

xii. CB&T account ending in x3730 in the name of "Global Baristas LLC" ("GB LLC Account 3730").

h. Defendant AVENATTI was a signatory on and exercised control over a KeyBank account ending in x6193 in the name of "Global Baristas US LLC" ("GBUS KeyBank Account 6193"), which was maintained in Seattle, Washington.

i. As a member of the State Bar of California, defendant AVENATTI was obligated to comply with the California Rules of Professional Conduct. Defendant AVENATTI was required, among other things, to promptly notify a client of the receipt of any funds the client was entitled to receive, and to promptly pay or deliver to the client or such payees as designated by the client any such funds that defendant AVENATTI held in trust for the client upon the client's request.

j. Money transmitted through the Fedwire Funds Transfer System (the "Fedwire system") was routed from its origin to its destination through Texas and New Jersey.

k. A "Special Needs Trust" was a specialized trust that allowed for a disabled person to maintain his or her eligibility for public assistance benefits, despite having assets that would otherwise make the person ineligible for those benefits.

2. "Client 1" was an individual who resided in Los Angeles County, within the Central District of California. Beginning as early as in or about 2012 and continuing until in or about March 2019, defendant AVENATTI and EA LLP had a formal attorney-client relationship with Client 1. Specifically, defendant AVENATTI and EA LLP agreed to represent Client 1 in connection with a lawsuit against the County of Los Angeles and others, alleging violations of Client 1's constitutional rights that led to severe emotional distress and severe physical injuries, including paraplegia (the "L.A. County Lawsuit").

3. "Client 2" was an individual who resided in Los Angeles County, within the Central District of California. Beginning as early as in or about December 2016 and continuing until in or about March 2019, defendant AVENATTI and EA LLP had a formal attorney-client relationship with Client 2. Specifically, defendant AVENATTI and EA LLP agreed to represent Client 2 in connection with potential litigation against an individual with whom Client 2 had a personal relationship ("Individual 1").

4. "Client 3" was an individual who resided in Orange County, within the Central District of California. Beginning as early as in or about July 2014 and continuing until in or about November 2018, defendant AVENATTI and EA LLP had a formal attorney-client relationship with Client 3. Specifically, defendant AVENATTI and EA

LLP agreed to represent Client 3 in connection with an intellectual property dispute against a Colorado-based company ("Company 1").

5. "Client 4" and "Client 5" were both individuals who resided in Los Angeles County, within the Central District of California. Beginning as early as in or about August 2017 and continuing until in or about August 2018, defendant AVENATTI had a formal attorney-client relationship with both Client 4 and Client 5. Specifically, defendant AVENATTI agreed to represent both Client 4 and Client 5 in connection with their separation and divestment from one of the companies in which Client 4 and Client 5 owned shares ("Company 2").

B. THE SCHEME TO DEFRAUD

6. Beginning as early as in or about January 2015 and continuing through at least in or about March 2019, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, defendant AVENATTI, knowingly and with intent to defraud, devised, participated in, and executed a scheme to defraud victim-clients to whom defendant AVENATTI had agreed to provide legal services, including, but not limited to, Client 1, Client 2, Client 3, Client 4, and Client 5, as to material matters, and to obtain money and property from such victim-clients by means of material false and fraudulent pretenses, representations, and promises, and the concealment of material facts that defendant AVENATTI had a duty to disclose.

C. THE MANNER AND MEANS OF THE SCHEME TO DEFRAUD

7. The fraudulent scheme operated, in substance, in the following manner:

a. Defendant AVENATTI would negotiate a settlement on behalf of a client that would require the payment of funds to the client.

b. Defendant AVENATTI would misrepresent, conceal, and falsely describe to the client the true terms of the settlement and/or the disposition the settlement proceeds.

c. Defendant AVENATTI would cause the settlement proceeds to be deposited in or transferred to attorney trust accounts defendant AVENATTI controlled.

d. Defendant AVENATTI would embezzle and misappropriate settlement proceeds to which he was not entitled.

e. Defendant AVENATTI would lull the client to prevent the client from discovering the embezzlement and misappropriation by, among other things, falsely denying the settlement proceeds had been paid, sending funds to the client under the false pretense that such funds were "advances" on the purportedly yet-to-be received settlement proceeds, and falsely claiming that payment of the settlement proceeds to the client had been delayed for legitimate reasons and would occur at a later time.

Embezzlement of Client 1's Funds

f. On or about January 21, 2015, defendant AVENATTI negotiated a settlement of the L.A. County Lawsuit on behalf of Client 1. Under the terms of the negotiated settlement agreement, the County of Los Angeles agreed to pay $4,000,000 to Client 1 in exchange for Client 1 dismissing the L.A. County Lawsuit. Client 1 was entitled to receive the $4,000,000 settlement payment, less EA LLP's attorneys' fees, costs, and expenses.

g. In or around January 2015, defendant AVENATTI told Client 1 that the County of Los Angeles had agreed to a settlement. Defendant AVENATTI falsely represented to Client 1 that the settlement agreement had to remain confidential, the County of Los Angeles could not pay the settlement to Client 1 in one lump-sum, and the settlement proceeds could not be paid until the County of Los Angeles approved a Special Needs Trust for Client 1. In truth and in fact, as defendant AVENATTI then well knew, the settlement agreement did not contain a confidentiality provision, the County of Los Angeles had agreed to make a lump-sum $4,000,000 settlement payment to Client 1, and the settlement payment from the County of Los Angeles was not conditioned on the approval of a Special Needs Trust for Client 1.

h. On or about January 26, 2015, defendant AVENATTI caused the approximately $4,000,000 settlement payment to be deposited into EA Trust Account 8541 to be held in trust for Client 1. Knowing that the full settlement amount had been paid by the County of Los Angeles, defendant AVENATTI concealed and failed to disclose to Client 1 that EA LLP had received the $4,000,000 settlement payment. Further, defendant AVENATTI and EA LLP retained and did not transfer Client 1's portion of the settlement payment to Client 1.

i. Between on or about January 26, 2015, and on or about March 30, 2015, defendant AVENATTI caused approximately $3,125,000 of the $4,000,000 settlement payment to be transferred from EA Trust Account 8541 to EA Account 2851. Thereafter, defendant AVENATTI caused substantial portions of the settlement proceeds to be transferred from EA Account 2851 to A&A Account 0661, and then

further transferred to other bank accounts defendant AVENATTI controlled, including defendant AVENATTI's personal bank account and bank accounts associated with GBUS and GB Auto, or used to pay defendant AVENATTI's personal expenses. By no later than July 6, 2015, defendant AVENATTI had drained all of the settlement proceeds out of EA Trust Account 8541. Defendant AVENATTI concealed and failed to disclose to Client 1 that the entire $4,000,000 settlement payment had been expended and that substantial portions of the settlement proceeds had been used for defendant AVENATTI's own purposes.

j. In order to lull Client 1 and prevent Client 1 from discovering that defendant AVENATTI had embezzled Client 1's portion of the $4,000,000 settlement payment, defendant AVENATTI committed and caused to be committed the following acts:

i. Starting as early as in or about July 2015 and continuing to in or about March 2019, defendant AVENATTI caused at least 69 payments, each ranging from approximately $1,000 to approximately $1,900 and together totaling at least approximately $124,000, to be made to Client 1. During this same time period, defendant AVENATTI also caused payments to be made to various assisted living facilities to pay for rent on Client 1's behalf. Defendant AVENATTI falsely represented to Client 1 that the payments made to Client 1 and to the assisted living facilities where Client 1 resided were "advances" on the settlement payment from the County of Los Angeles, which defendant AVENATTI falsely represented had not yet been received.

ii. In or about 2017, after Client 1 told defendant AVENATTI that Client 1 wanted to purchase his own residence,

defendant AVENATTI agreed to help Client 1 find a real estate broker and purchase a house. Defendant AVENATTI represented and promised to Client 1 that Client 1 would be able to use the settlement proceeds to fund the purchase of a house. After Client 1 was in escrow on the purchase of a house, however, defendant AVENATTI falsely told Client 1 that Client 1 could not purchase the house after all because the County of Los Angeles still had not approved the Special Needs Trust and therefore could not make the settlement payment to Client 1. Client 1 was unable to close escrow and did not purchase the house.

iii. On or about November 26, 2018, defendant AVENATTI told Client 1 that defendant AVENATTI would respond on Client 1's behalf to a request that Client 1 provide the United States Social Security Administration ("SSA") information it requested to evaluate Client 1's continued eligibility for Supplemental Security Income ("SSI") benefits, including information regarding the settlement agreement with the County of Los Angeles, the purported Special Needs Trust, and the monthly payments from defendant AVENATTI. Knowing full well that the requested information could lead to inquiries that could reveal that defendant AVENATTI had embezzled Client 1's portion of the settlement proceeds, defendant AVENATTI failed to provide the requested information to SSA, which resulted in Client 1's SSI benefits being discontinued in or about February 2019.

k. On or about March 22, 2019, defendant AVENATTI was questioned regarding the alleged embezzlement of the Client 1 Settlement Proceeds during a public judgment-debtor examination conducted in federal court in Los Angeles, California. Shortly thereafter, in order to lull Client 1 and prevent Client 1 from discovering that defendant AVENATTI had embezzled Client 1's portion

of the $4,000,000 settlement, defendant AVENATTI falsely told Client 1 that the County of Los Angeles had finally approved the Special Needs Trust for Client 1 and that Client 1 would begin receiving settlement payments from the County of Los Angeles through the Special Needs Trust.

l. In order to further lull Client 1 and to attempt to establish a defense against any claims Client 1 could bring against defendant AVENATTI, on or about March 23, 2019, and on or about March 24, 2019, defendant AVENATTI caused Client 1 to sign a document defendant AVENATTI claimed was necessary to effectuate the settlement agreement and finalize the Special Needs Trust that defendant AVENATTI claimed was required before Client 1 could begin receiving payments due under the settlement, and a document stating that Client 1 was satisfied with defendant AVENATTI's representation of Client 1.

Embezzlement of Client 2's Funds

m. On or about January 7, 2017, defendant AVENATTI negotiated a settlement on behalf of Client 2 with Individual 1. Under the terms of the settlement agreement, Individual 1 was required to make an initial payment to Client 2 of approximately $2,750,000 by on or about January 28, 2017, and an additional payment to Client 2 of approximately $250,000 on or about November 1, 2020, if certain additional specified conditions were met, for a total of approximately $3,000,000. Client 2 was entitled to receive the initial $2,750,000 settlement payment, less EA LLP's attorneys' fees (i.e., 33 percent of the total $3,000,000 settlement amount), costs, and expenses.

n. In order to conceal the true details of the settlement agreement from Client 2, defendant AVENATTI did not provide a copy of

the settlement agreement to Client 2. Rather, in or about January 2017, defendant AVENATTI falsely represented to Client 2 that Individual 1 would make an initial lump-sum payment, the entirety of which would be used to pay EA LLP's attorney fees (i.e., 33 percent of the total settlement amount) and costs, and then approximately 96 monthly payments over the course of the next eight years by which the remaining settlement funds would be paid to Client 2. In truth and in fact, as defendant AVENATTI then well knew, the actual settlement agreement required Individual 1 to make the initial $2,750,000 settlement payment, which far exceeded the money owed to EA LLP for attorneys' fees, by on or about January 28, 2017, and Individual 1 was not required to make any monthly payments to Client 2 thereafter.

o. On or about January 25, 2017, defendant AVENATTI caused the initial $2,750,000 settlement payment from Individual 1 to be transferred to EA Trust Account 8671 to be held in trust for Client 2. Defendant AVENATTI concealed and failed to disclose to Client 2 that EA LLP had received the initial $2,750,000 settlement payment. Further, defendant AVENATTI and EA LLP retained and did not transfer Client 2's portion of the $2,750,000 settlement payment to Client 2.

p. On or about January 26, 2017, defendant AVENATTI caused $2,500,000 of the $2,750,000 settlement payment to be transferred to an attorney trust account for another law firm ("Law Firm 1"). That same day, defendant AVENATTI caused Law Firm 1 to transfer the entire $2,500,000 to Honda Aircraft Company, LLC, to purchase a private airplane for defendant AVENATTI's company, Passport 420. Defendant AVENATTI also caused the remaining $250,000 of the $2,750,000 settlement payment to be transferred first to EA

Account 2851 and then to A&A Account 0661. Defendant AVENATTI concealed and failed to disclose to Client 2 that defendant AVENATTI had used the settlement proceeds in this manner.

q. In order to lull Client 2 and prevent Client 2 from discovering that defendant AVENATTI had embezzled Client 2's portion of the initial $2,750,000 settlement payment, defendant AVENATTI committed and caused to be committed the following acts:

i. Between on or about March 15, 2017, and on or about June 18, 2018, defendant AVENATTI caused approximately 11 payments totaling approximately $194,000 to be deposited into Client 2's bank account. Defendant AVENATTI falsely represented to Client 2 that these payments constituted the monthly settlement payments that were purportedly due from Individual 1. For example, on or about February 20, 2018, defendant AVENATTI caused a $16,000 cashier's check drawn on EA Account 4613 to be deposited into Client 2's bank account, which falsely identified Individual 1 as the "remitter."

ii. Between in or about June 2018 and in or about March 2019, after defendant AVENATTI stopped making the purported monthly payments to Client 2, defendant AVENATTI falsely represented to Client 2 that Individual 1 was not complying with the settlement agreement and falsely told Client 2 that defendant AVENATTI was working on obtaining the missing monthly settlement payments purportedly due to Client 2 from Individual 1.

iii. On or about March 24, 2019, at a meeting with Client 2 at defendant AVENATTI's residence in Los Angeles, California, defendant AVENATTI falsely represented to Client 2 that Client 2 would soon be receiving a payment from Individual 1 to make

up for the purportedly missing monthly settlement payments from Individual 1 for July 2018 through March 2019.

Embezzlement of Client 3's Funds

r. Between on or about December 22, 2017, and on or about December 28, 2017, defendant AVENATTI negotiated a settlement agreement with Company 1 on behalf of Client 3. The settlement agreement required Company 1 to make an initial payment of $1,600,000 by January 10, 2018, and three additional payments of $100,000 by January 10 of 2019, 2020, and 2021, respectively, for a total of $1,900,000. Client 3 was entitled to receive the initial $1,600,000 settlement payment, less EA LLP's attorneys' fees of $760,000 (i.e., 40 percent of the total $1,900,000 settlement amount), costs, and expenses.

s. On or about December 28, 2017, at a meeting with Client 3 at EA LLP's offices in Newport Beach, California, to discuss the proposed settlement agreement with Company 1, defendant AVENATTI provided an altered copy of the settlement agreement to Client 3 for Client 3's review, which copy falsely represented the payment schedule as $1,600,000 due by March 10, 2018, and $100,000 due by March 10 of each of the three subsequent years. That same day, defendant AVENATTI emailed the attorney for Company 1 the signature page for the actual settlement agreement, bearing Client 3's signature.

t. On or about December 29, 2017, defendant AVENATTI received a complete copy of the fully executed settlement agreement with Client 3's and Company 1's signatures from Company 1's attorney, which included the payment schedule that had actually been negotiated by defendant AVENATTI but had been concealed from Client 3, namely,

an initial $1,600,000 payment due by January 10, 2018, and additional payments of $100,000 due by January 10 of each of the three subsequent years.

u. On or about January 2, 2018, defendant AVENATTI emailed instructions to Company 1's attorney to wire the initial $1,600,000 settlement payment to Avenatti Trust Account 5566.

v. On or about January 5, 2018, as instructed by defendant AVENATTI, Company 1 wired the initial $1,600,000 settlement payment to Avenatti Trust Account 5566 to be held in trust for Client 3. Defendant AVENATTI concealed and failed to disclose to Client 3 that defendant AVENATTI had received the initial $1,600,000 settlement payment from Company 1. Further, defendant AVENATTI retained Client 3's portion of the $1,600,000 settlement payment and did not transfer Client 3's portion of the $1,600,000 settlement payment to Client 3.

w. Between on or about January 5, 2018, and on or about March 14, 2018, defendant AVENATTI caused approximately $1,599,400 of the initial $1,600,000 settlement payment to be used for his own purposes, including to pay for expenses relating to GBUS. Defendant AVENATTI concealed and failed to disclose to Client 3 that defendant AVENATTI used the settlement proceeds for his own purposes.

x. In order to lull Client 3 and prevent Client 3 from discovering that defendant AVENATTI had embezzled Client 3's portion of the initial $1,600,000 settlement payment, defendant AVENATTI committed and caused to be committed the following acts:

i. Between on or about March 10, 2018, and in or about November 2018, defendant AVENATTI falsely represented to Client 3 that Company 1 had not made the initial $1,600,000 settlement

payment, and that defendant AVENATTI was working on obtaining the purportedly missing $1,600,000 settlement payment from Company 1.

ii. Between in or about April 2018 and in or about November 2018, defendant AVENATTI caused multiple payments totaling approximately $130,000 to be paid to Client 3 and/or Client 3's spouse, which payments defendant AVENATTI falsely claimed represented "advances" on Client 3's portion of the $1,600,000 settlement payment from Company 1, so that Client 3 could meet certain financial obligations while Client 3 was purportedly "waiting" for his portion of the $1,600,000 settlement payment from Company 1.

Embezzlement of Client 4's Funds

y. On or about September 17, 2017, defendant AVENATTI negotiated a "Common Stock Repurchase Agreement" with Company 2 on behalf of Client 4 and Client 5. Under the terms of Client 4's Common Stock Repurchase Agreement, Company 2 agreed to repurchase from Client 4 361,565 shares of Company 2 for approximately $27,478,940, and thereafter an additional 107,188 shares of Company 2 for approximately $8,146,288, which resulted in a total repurchase amount of approximately $35,625,228.

z. On or about September 18, 2017, Company 2 wired approximately $27,414,668 to Avenatti Trust Account 4705. Approximately $2,787,651 of this amount constituted defendant AVENATTI's and/or EA LLP's attorneys' fees (i.e., 7.5 percent of the total $35,625,228 repurchase amount), costs, and expenses. Between on or about September 21, 2017, and on or about October 3, 2017, defendant AVENATTI caused the remainder of the initial $27,414,668 payment to be transferred to bank accounts associated with Client 4.

aa. On or about March 13, 2018, after Company 2 informed Client 4 and Client 5 that Company 2 was ready to repurchase the remaining 107,188 shares of Company 2 from Client 4 as contemplated in the Common Stock Purchase Agreement, defendant AVENATTI told Client 5 that Company 2 should wire the remaining $8,146,288 payment due to Client 4 to Avenatti Trust Account 4705, and that defendant AVENATTI would then wire the $8,146,288 payment from Avenatti Trust Account 4705 to Client 4.

bb. On or about March 14, 2018, following defendant AVENATTI's instructions, Company 2 transferred approximately $8,146,288 to Avenatti Trust Account 4705 to be held in trust for Client 4. Defendant AVENATTI retained and did not transfer the $8,146,288 payment to Client 4 as defendant AVENATTI had promised to do.

cc. Between on or about March 15, 2018, and on or about May 4, 2018, defendant AVENATTI caused approximately $4,000,000 out of the $8,146,288 payment from Company 2 due to Client 4 to be used for defendant AVENATTI's own purposes, including the following:

i. On or about March 15, 2018, defendant AVENATTI caused approximately $3,000,000 of Client 4's funds to be transferred to EA Trust Account 4613. Later that same day, defendant AVENATTI then caused approximately $2,828,423 to be transferred from EA Trust Account 4613 to an attorney trust account for SulmeyerKupetz, a law firm representing A&A and defendant AVENATTI in bankruptcy proceedings involving EA LLP, so that SulmeyerKupetz could use the money to pay some of EA LLP's creditors in the bankruptcy proceedings, including the Internal Revenue Service.

ii. Between on or about March 20, 2018, and on or about May 1, 2018, defendant AVENATTI caused a total of approximately $780,000 of Client 4's funds to be paid to EA Trust Account 4613, which defendant AVENATTI then used for his own purposes, including transferring the funds to bank accounts associated with defendant AVENATTI's other companies, namely, GBUS, GB LLC, A&A, and Passport 420.

iii. Between on or about March 20, 2018, and May 1, 2018, defendant AVENATTI caused a total of approximately $260,000 of Client 4's funds to be paid to EA DIP Account 0313.

iv. In order to lull Client 1 and prevent Client 1 from discovering that defendant AVENATTI had embezzled Client 1's portion of the $4,000,000 settlement payment from the County of Los Angeles, on or about April 9, 2018, defendant AVENATTI used Client 4's funds, which had been transferred from Avenatti Trust Account 4705 to EA DIP Account 0313 and then to EA Trust Account 4613, to make an approximately $1,900 payment to Client 1.

v. In order to lull Client 2 and prevent Client 2 from discovering that defendant AVENATTI had embezzled Client 2's portion of the $2,750,000 settlement payment from Individual 1, on or about April 17, 2018, defendant AVENATTI used Client 4's funds, which had been transferred from Avenatti Trust Account 4705 to EA Trust Account 4613, to make an approximately $34,000 payment to Client 2.

dd. Between on or about March 14, 2018, and on or about May 3, 2018, defendant AVENATTI failed to disclose to Client 4 and Client 5 that defendant AVENATTI had used approximately $4,000,000 of Client 4's funds for defendant AVENATTI's own purposes.

ee. In order to lull Client 4 and Client 5 and prevent them from discovering that defendant AVENATTI had embezzled approximately $4,000,000 from the approximately $8,146,288 payment defendant AVENATTI received from Company 2, between on or about March 14, 2018, and on or about May 3, 2018, defendant AVENATTI falsely represented and promised Client 4 and Client 5 that defendant AVENATTI would transfer Client 4's funds to Client 4 at a later date, and that defendant AVENATTI needed to go to the bank to fill out paperwork to effectuate the wire transfers. In truth and in fact, as defendant AVENATTI then well knew, he had already caused approximately $4,000,000 of Client 4's funds to be transferred or paid to other bank accounts defendant AVENATTI controlled, and then used for defendant AVENATTI's own purposes.

ff. In order to lull Client 4 and Client 5 and prevent them from discovering that he had embezzled approximately $4,000,000 of Client 4's funds, on or about May 4, 2018, defendant AVENATTI caused two wire transfers in the amounts of $4,000,000 and $146,288 to be sent from Avenatti Trust Account 4705 to a bank account associated with Client 4. Defendant AVENATTI retained and failed to transfer to Client 4 the remainder of the $8,146,288 payment that Company 2 had transferred on or about March 14, 2018, to Avenatti Trust Account 4705 for the benefit of Client 4.

gg. Between on or about May 4, 2018, and on or about June 4, 2018, defendant AVENATTI and another attorney with whom defendant AVENATTI worked ("Attorney 1") falsely represented to Client 4 and Client 5 that the entire $8,146,288 payment from Company 2 had been transferred to Client 4 in three separate wire transfers. For example, in response to a request from Client 5 that defendant

AVENATTI provide the wire transfer information for the remaining $4,000,000 of Client 4's funds, on or about May 11, 2018, defendant AVENATTI emailed Attorney 1 a wire transfer confirmation document purporting to reflect a second $4,000,000 wire transfer to Client 4. In truth and in fact, as defendant AVENATTI then well knew, defendant AVENATTI had never transferred the remaining $4,000,000 to Client 4, defendant AVENATTI had already used the remaining $4,000,000 for his own purposes, and the wire transfer confirmation document that defendant AVENATTI provided on or about May 11, 2018, related to the first $4,000,000 wire transfer from Avenatti Trust Account 4705 that Client 4 had already received on May 4, 2018.

D. THE USE OF THE WIRES

8. On or about the following dates, within the Central District of California, and elsewhere, defendant AVENATTI, for the purpose of executing the above-described scheme to defraud, transmitted and caused to be transmitted by means of wire and radio communications in interstate commerce the following items:

COUNT	DATE	ITEM WIRED
ONE	1/30/2015	Wire transfer of approximately $250,000 sent from A&A Account 0661 through the Fedwire system to GBUS's Homestreet bank account in Seattle, Washington.
TWO	2/10/2015	Wire transfer of approximately $50,000 from A&A Account 0661 through the Fedwire system to defendant AVENATTI's personal Bank of America bank account.
THREE	1/26/2017	Wire transfer of approximately $2,500,000 from EA Trust Account 8671 through the Fedwire system to Law Firm 1's JP Morgan Chase Bank, N.A. ("Chase") IOLTA trust account.

COUNT	DATE	ITEM WIRED
FOUR	1/5/2018	Wire transfer of approximately $1,600,000 sent from Company 1's Silicon Valley Bank account through the Fedwire system to Avenatti Trust Account 5566.
FIVE	1/10/2018	Wire transfer of approximately $60,000 sent from Avenatti CNB Trust Account 5566 through the Fedwire system to EA Trust Account 3714.
SIX	3/15/2018	Wire transfer of approximately $3,000,000 from Avenatti Trust Account 4705 through the Fedwire system to EA CB&T Trust Account 4613.
SEVEN	3/15/2018	Wire transfer of approximately $2,828,423 from EA CB&T Trust Account 4613 through the Fedwire system to an attorney trust account for SulmeyerKupetz at CNB.
EIGHT	3/20/2018	Wire transfer of approximately $200,000 from Avenatti CNB Trust Account 4705 through the Fedwire system to EA Trust Account 4613.
NINE	6/18/2018	Wire transfer of approximately $16,000 from EA Trust Account 4613 through the Fedwire system to Client 2's Chase bank account.
TEN	7/13/2018	Wire transfer of approximately $1,900 from EA Trust Account 4613 through the Fedwire system to Client 1's Bank of America bank account.

COUNTS ELEVEN THROUGH EIGHTEEN

[26 U.S.C. § 7202; 18 U.S.C. § 2(b)]

A. INTRODUCTORY ALLEGATIONS

Background

9. The Grand Jury re-alleges and incorporates by reference paragraph 1 through 7 of this Indictment as though fully set forth herein.

10. At all relevant times:

a. GBUS was a limited liability company organized in Washington, which operated Tully's stores in Washington and California. Until in or around November 2017, GBUS's corporate office was in Seattle, Washington.

b. GB LLC was a limited liability company organized in Washington. Defendant MICHAEL JOHN AVENATTI ("AVENATTI") was the sole managing member of GB LLC.

c. GB Auto was a limited liability company organized in Washington. Defendant AVENATTI was the sole manager of GB Auto.

d. Doppio, Inc. ("Doppio") was a for-profit corporation incorporated in Washington. Defendant AVENATTI was the sole governor of Doppio.

e. Defendant AVENATTI was the effective owner of GBUS. In or around June 2013, defendant AVENATTI's company GB LLC acquired TC Global Inc., which previously operated Tully's, at a bankruptcy auction for approximately $9.15 million, namely, $6.95 million in cash and $2.2 million in assumed liabilities. On or about June 25, 2013, defendant AVENATTI caused a wire transfer in the amount of $7,000,000 from EA Trust Account 8541 to a bank account for Foster Pepper PLLC, the law firm representing GB LLC in Tully's bankruptcy

auction. A&A owned 100 percent of Doppio, which in turn owned at least 80 percent of GB LLC. GB LLC wholly owned GBUS, which handled the day-to-day business operations of Tully's.

f. Defendant AVENATTI served as GBUS's CEO, for which he was paid a yearly salary of approximately $250,000. As GBUS's CEO, defendant AVENATTI exercised control over every aspect of GBUS's business affairs, including approving payments GBUS made and controlling GBUS's bank accounts. Defendant AVENATTI managed and exercised control over GBUS's business affairs from Orange and Los Angeles Counties, within the Central District of California, and elsewhere.

g. The Internal Revenue Service ("IRS") was an agency of the United States within the Department of Treasury of the United States and was responsible for enforcing and administering the tax laws of the United States.

11. Beginning in or about February 2015 and continuing until at least in or about July 2018, GBUS maintained multiple bank accounts at CB&T in Orange County, California, including GBUS's payroll account ending in x2976 ("GBUS Payroll Account 2976") and GBUS Operating Account 2240. Defendant AVENATTI and an EA LLP employee ("EA Employee 1") were the only signatories on GBUS Payroll Account 2976 and GBUS Operating Account 2240.

12. In addition to defendant AVENATTI's yearly salary as GBUS's CEO, between as early as in or about September 2015 and continuing until at least in or about December 2017, defendant AVENATTI caused GBUS to make substantial payments for defendant AVENATTI's personal benefit and the benefit of other entities defendant AVENATTI

controlled, while, at the same time, failing to pay over to the IRS payroll taxes withheld from GBUS employees' paychecks. For example:

a. Between on or about September 1, 2015, and on or about December 31, 2017, defendant AVENATTI caused a net of approximately $2.5 million to be transferred from GBUS's and GB LLC's bank accounts to bank accounts associated with A&A and EA LLP.

b. On or about March 30, 2016, defendant AVENATTI caused GBUS to transfer $200,000 to the G.P. Family Trust as payment for two months of rent for defendant AVENATTI's residence in Newport Beach, California.

c. In order to lull Client 1 and prevent Client 1 from discovering that defendant AVENATTI had embezzled Client 1's portion of the $4,000,000 settlement payment from the County of Los Angeles, on or about April 7, 2016, defendant AVENATTI used GBUS funds, which had been transferred from GBUS Account 2240 to EA Account 2851, to make an approximately $1,900 payment to Client 1.

d. In order to lull Client 2 and prevent Client 2 from discovering that defendant AVENATTI had embezzled Client 2's portion of the initial $2,750,000 settlement payment from Individual 1, defendant AVENATTI caused GBUS funds to be used to make payments to Client 2, including the following:

i. On or about April 14, 2017, defendant AVENATTI used GBUS funds, which had been transferred from GBUS Account 2240 to A&A Account 0661, to make an approximately $16,000 payment to Client 2.

ii. On or about May 15, 2017, defendant AVENATTI used GBUS funds, which had been transferred from GBUS Account 2240 to A&A Account 0661, to make an approximately $16,000 payment to Client 2.

Federal Payroll Taxes

13. At all relevant times:

a. Title 26 of the United States Code imposed four types of tax with respect to wages paid to employees: (1) income tax; (2) Social Security tax; (3) Medicare tax; and (4) federal unemployment tax (collectively, "payroll taxes").

b. Federal income tax was imposed upon employees based upon the amount of wages they received.

c. Social Security tax and Medicare tax were imposed by the Federal Insurance Contributions Act (collectively referred to as "FICA taxes"). FICA taxes were imposed separately on employees and on employers.

d. Federal unemployment tax was imposed under the Federal Unemployment Tax Act ("FUTA"). FUTA taxes were imposed solely on employers.

GBUS's Obligation to Collect, Truthfully Account For, and Pay Over to the IRS Federal Payroll Taxes

14. At all relevant times:

a. GBUS was required to withhold employee income taxes and FICA taxes from the wages paid to its employees, and to pay over the withheld amounts to the IRS. The employee income taxes and FICA taxes that GBUS was required to withhold and pay over to the IRS were commonly referred to as "trust fund taxes" because of the provision in the Internal Revenue Code requiring that such taxes "shall be held to be a special fund in trust for the United States."

b. GBUS was required to make deposits of payroll taxes, including trust fund taxes, to the IRS on a periodic basis. In addition, GBUS was required to file, following the end of each

calendar quarter, an Employer's Quarterly Federal Tax Return (Form 941), setting forth for the quarter the total amount of wages and other compensation subject to withholding paid by GBUS, the total amount of income tax withheld, the amount of Social Security and Medicare taxes (i.e., FICA taxes) due, and the total federal tax deposits.

c. Defendant AVENATTI was a "responsible person" for GBUS, that is, defendant AVENATTI had the corporate responsibility to collect, truthfully account for, and pay over to the IRS GBUS's payroll taxes.

15. Beginning in or about June 2013 and continuing until at least in or about October 2017, GBUS withheld tax payments from its employees' paychecks, including federal income taxes and FICA taxes.

16. Beginning in or about September 2015 and continuing until at least in or about October 2017, GBUS failed to pay over to the IRS payroll taxes due and owing, including federal income taxes and FICA taxes GBUS withheld from its employees' paychecks. In total, between in or around September 2015 and in or around October 2017, GBUS failed to pay over to the IRS at least approximately $3,207,144 in federal payroll taxes, including at least approximately $2,390,048 in trust fund taxes that GBUS withheld from its employees' paychecks.

17. Beginning in or about January 2016 and continuing until at least in or about October 2017, GBUS failed to timely file its quarterly employment tax returns (Forms 941) with the IRS for the fourth quarter of 2015 through the third quarter of 2017, inclusive.

B. FAILURE TO ACCOUNT FOR AND PAY OVER PAYROLL TAXES

18. Beginning in or about October 2015 and continuing until at least on or about October 31, 2017, in Orange County, within the

Central District of California, and elsewhere, defendant AVENATTI, a responsible person of GBUS, willfully failed and willfully caused GBUS to fail to pay over to the United States, namely, the IRS, all of the federal income taxes and FICA taxes (i.e., trust fund taxes) that GBUS withheld from GBUS employees' total taxable wages, which were due and owing to the United States by the dates set forth below and in the amounts set forth below, for each of the following calendar year quarters:

COUNT	QUARTER AND YEAR	QUARTERLY DUE DATE	APPROXIMATE TRUST FUND TAXES DUE AND OWING
ELEVEN	Fourth Quarter of 2015	1/31/2016	$292,724
TWELVE	First Quarter of 2016	4/30/2016	$382,100
THIRTEEN	Second Quarter of 2016	7/31/2016	$297,791
FOURTEEN	Third Quarter of 2016	10/31/2016	$333,969
FIFTEEN	Fourth Quarter of 2016	1/31/2017	$277,681
SIXTEEN	First Quarter of 2017	4/30/2017	$309,702
SEVENTEEN	Second Quarter of 2017	7/31/2017	$345,094
EIGHTEEN	Third Quarter of 2017	10/31/2017	$150,989

COUNT NINETEEN

[26 U.S.C. § 7212(a)]

A. INTRODUCTORY ALLEGATIONS

19. The Grand Jury re-alleges and incorporates by reference paragraphs 1 through 7 and 10 through 17 of this Indictment as though fully set forth herein.

20. In or about September 2016, the IRS initiated a collection action relating to GBUS's failure to file its quarterly employment tax returns (Forms 941) and pay over to the IRS payroll taxes that were due and owing, including federal income taxes and FICA taxes that GBUS had withheld (collectively, "trust fund taxes") from GBUS employees' paychecks.

21. On or about October 7, 2016, an IRS Revenue Officer ("IRS RO-1") spoke with defendant MICHAEL JOHN AVENATTI ("AVENATTI") and other GBUS employees regarding the IRS's collection action and advised them that since approximately September 2015 GBUS had not paid over to the IRS any federal payroll taxes.

22. On or about June 26, 2017, IRS RO-1 filed a notice of federal tax lien against GBUS in King County in the State of Washington. The federal tax lien indicated that GBUS owed the IRS approximately $4,998,227 in unpaid federal payroll taxes. A copy of the federal tax lien notice was also mailed to GBUS.

23. Between in or about August 2017 and in or about January 2018, IRS RO-1 issued levy notices to a number of financial institutions and companies associated with GBUS. The levy notices indicated that GBUS owed the IRS as much as approximately $5,210,769. Each levy notice required the recipient of the levy notice to turn over to the United States Treasury GBUS's property and rights to

property, such as money, credits, and bank deposits, that the recipient of the levy had or was already obligated to pay to GBUS. Banks, savings and loans, and credit unions were obligated to hold any funds subject to the levy notices for 21 days before sending payment to the United States Treasury. Copies of the levy notices issued by IRS RO-1 were mailed to GBUS.

24. Beginning as early as in or about August 2017, defendant AVENATTI knew that the IRS had issued levies to certain financial institutions at which GBUS maintained bank accounts.

B. THE ATTEMPT TO OBSTRUCT AND IMPEDE THE ADMINISTRATION OF THE INTERNAL REVENUE LAWS

25. Beginning on or about October 7, 2016, and continuing until at least in or around September 2018, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, defendant AVENATTI corruptly obstructed and impeded, and corruptly endeavored to obstruct and impede, the due administration of the internal revenue laws of the United States.

26. The attempt to obstruct and impede the due administration of the internal revenue laws of the United States operated, in substance, in the following manner:

a. On or about October 7, 2016, defendant AVENATTI made false statements to IRS RO-1 in connection with the IRS's collection action, including that: (i) defendant AVENATTI was not personally involved in GBUS's finances; and (ii) defendant AVENATTI was unaware that since approximately September 2015 GBUS had failed to pay over to the IRS any federal payroll taxes. In truth and in fact, as defendant AVENATTI then well knew, (i) defendant AVENATTI was personally involved in GBUS's finances in that he had authority to

approve payments on behalf of GBUS and had control over GBUS's bank accounts; and (ii) defendant AVENATTI was aware that since approximately September 2015 GBUS had failed to pay over to the IRS any federal payroll taxes because, among other reasons, on or about November 5, 2015, GBUS's controller had sent defendant AVENATTI an email explaining to defendant AVENATTI the "implications" of GBUS not paying to the IRS its payroll taxes in a timely manner, and, between in or about September 2015 and in or about October 2016, defendant AVENATTI had refused to authorize GBUS to pay over to the IRS the federal payroll taxes that GBUS had withheld from its employees' paychecks.

b. In order to further obstruct and impede the IRS's collection action and the IRS's efforts to collect the payroll taxes that GBUS owed to the IRS, defendant AVENATTI directed GBUS employees to stop depositing cash receipts from the Tully's stores into GBUS KeyBank Account 6193, which defendant AVENATTI knew was already subject to IRS levy notices, and instructed GBUS employees to instead deposit all cash receipts from Tully's stores into a little-used Bank of America account for a separate entity defendant AVENATTI controlled, GB Auto. Defendant AVENATTI did so by, among other acts, the following:

i. In or about September 2017, defendant AVENATTI directed and instructed a GBUS employee ("GBUS Employee 1") to tell the Tully's stores that the stores could no longer make cash deposits into GBUS KeyBank Account 6193 and should hold all of the stores' cash deposits.

ii. On or about September 7, 2017, defendant AVENATTI sent GBUS Employee 1 a text message containing the bank

account information for the GB Auto account at Bank of America (the "GB Auto Account"), in order to cause the cash deposits from the Tully's stores to be made into the GB Auto Account.

iii. On or about September 18, 2017, after receiving a text message from GBUS Employee 1 asking if the Tully's stores were able to deposit at KeyBank yet, defendant AVENATTI responded via text message "Not yet but hopefully in next two days. Can you collect deposits tmrw and deposit pls?"

iv. On or about September 28, 2017, defendant AVENATTI sent a text message to GBUS Employee 1 and another GBUS employee ("GBUS Employee 2"), asking, "When are we depositing again?" and, later that same day, another text message, stating, "It is important that these deposits be made regularly. Thanks."

v. Between on or about September 7, 2017, and in or about December 2017, GBUS Employee 1, acting at defendant AVENATTI's direction, made approximately 27 cash deposits totaling approximately $859,784 into the GB Auto Account. After approximately 24 of the cash deposits, GBUS Employee 1 sent defendant AVENATTI a text message attaching a photograph of the deposit slip.

c. In order to further obstruct and impede the IRS's collection action and the IRS's efforts to collect the payroll taxes that GBUS owed to the IRS, defendant AVENATTI caused GBUS's credit card processing company, TSYS Merchant Solutions ("TSYS"), to change the company name, Employer Identification Number ("EIN"), and bank account information associated with GBUS's merchant credit card processing accounts ("merchant accounts"), which defendant AVENATTI knew were already subject to IRS levy notices. Defendant AVENATTI did so by, among other acts, the following:

i. On or about September 28, 2017, defendant AVENATTI received an email from GBUS Employee 2, which stated, among other things, "9.25.17 tsys - $22,135.19 IRS levy."

ii. On or about September 29, 2017, defendant AVENATTI received an email from GBUS Employee 2 titled "Levies," which stated that "IRS took as [sic] additional $23,763.02 from tsys yesterday."

iii. On or about September 29, 2017, defendant AVENATTI directed a TSYS representative ("TSYS Rep. 1") to change the company name associated with the merchant accounts from "Global Baristas US LLC" to "Global Baristas, LLC" and to change the EIN from GBUS's EIN to GB LLC's EIN.

iv. On or about October 2, 2017, defendant AVENATTI sent TSYS Rep. 1 an email regarding changes to the merchant accounts and said "we need this done ASAP."

v. On or about October 3, 2017, defendant AVENATTI entered into a new Merchant Transaction Processing Agreement with TSYS on behalf of GB LLC.

vi. On or about October 3, 2017, defendant AVENATTI and EA Employee 1 opened a new bank account, GB LLC Account 3730, for GB LLC at CB&T in Orange County, California. Later that day, EA LLP Employee 1 emailed TSYS Rep. 1 the bank account and routing number for GB CB&T Account 3730, which was to be the new bank account into which the proceeds of the credit card transactions were to be deposited.

d. In order to further obstruct and impede the IRS's collection action and the IRS's efforts to collect the payroll taxes that GBUS owed to the IRS, in or about December 2017, after TSYS

closed GBUS and GB LLC's merchant accounts, defendant AVENATTI caused GBUS to open new merchant accounts with Chase for the Tully's stores under the name GB LLC and directed Chase to deposit all credit card receipts in to GB LLC Account 3730.

e. In order to further obstruct and impede the IRS's efforts to collect the payroll taxes that GBUS owed to the IRS, defendant AVENATTI changed the name of the contracting party on various contracts with The Boeing Company ("Boeing"), which had agreed to allow GBUS to operate Tully's stores at Boeing facilities in Washington. Defendant AVENATTI did so by, among other acts, the following:

i. In or about November 2016, approximately one month after defendant AVENATTI learned of the IRS's collection action, defendant AVENATTI caused the contracting party's name on a contract with Boeing to be changed from "Global Baristas US LLC" to "GB Hospitality LLC," even though, as defendant AVENATTI then well knew, GBUS operated the Tully's stores at the Boeing facilities and "GB Hospitality LLC" had never been registered with any government agency and had never operated.

ii. In or about September 2017 and in or about October 2017, after IRS RO-1 had issued levy notices to Boeing and numerous financial institutions at which GBUS maintained accounts, defendant AVENATTI, having agreed on behalf of GBUS to sell Boeing two Tully's coffee kiosks and other Tully's equipment in exchange for a payment from Boeing of approximately $155,010 and forgiveness of certain debts, directed a Boeing attorney to change the seller's name from "GB Hospitality, LLC" to "Global Baristas, LLC" on the two bills of sales relating to the transaction. Defendant AVENATTI further

instructed Boeing to transfer the approximately $155,010 payment to EA Trust Account 8671, rather than to GBUS's bank account. Defendant AVENATTI then transferred the approximately $155,010 payment from EA Trust Account 8671 to A&A Account 0661, from which defendant AVENATTI used a substantial portion of the proceeds of the sale for defendant AVENATTI's personal purposes, including to: (1) transfer approximately $15,000 to a personal bank account; (2) pay approximately $13,073 for rent at defendant AVENATTI's residential apartment in Los Angeles, California; and (3) pay approximately $8,459 that defendant AVENATTI owed to Neiman Marcus.

f. After learning of the IRS's collection action, defendant AVENATTI used GBUS funds that should and could have been used to pay over to the IRS federal incomes taxes and FICA taxes that had been withheld from GBUS employees' paychecks for his own personal benefit and the benefit of other entities defendant AVENATTI controlled, including, but not limited to, the following:

i. Between in or about October 2016 and in or about December 2017, defendant AVENATTI caused a net of approximately $1.6 million to be transferred from GBUS's and GB LLC's bank accounts to bank accounts associated with defendant AVENATTI's other companies, namely, A&A and EA LLP.

ii. In order to lull Client 1 and prevent Client 1 from discovering that defendant AVENATTI had embezzled Client 1's portion of the $4,000,000 settlement payment from the County of Los Angeles, defendant AVENATTI used GBUS funds, including credit card receipts from Tully's stores that Chase deposited into GB LLC Account 3730, to make the following additional payments to Client 1:

(I) On or about January 19, 2018, defendant AVENATTI used GBUS funds, which had been transferred from GB LLC Account 3730 and/or KeyBank Account 6193 to EA Trust Account 3714, to make an approximately $1,900 payment to Client 1.

(II) On or about February 15, 2018, defendant AVENATTI used GBUS funds, which had been transferred from GB LLC Account 3730 and/or GBUS KeyBank Account 6193 to EA Trust Account 4613, to make an approximately $1,900 payment to Client 1.

iii. In order to lull Client 2 and prevent Client 2 from discovering that defendant AVENATTI had embezzled Client 2's portion of the initial $2,750,000 settlement payment from Individual 1, defendant AVENATTI used GBUS funds, including credit card receipts from Tully's stores that Chase deposited into GB LLC Account 3730, to make the following additional payments to Client 2:

(I) On or about January 16, 2018, defendant AVENATTI used GBUS funds, which had been transferred from GB LLC Account 3730 and/or GBUS KeyBank Account 6193 to EA Trust Account 3714, to make an approximately $16,000 payment to Client 2.

(II) On or about February 20, 2018, defendant AVENATTI used GBUS funds, which had been transferred from GB LLC Account 3730 and/or GBUS KeyBank Account 6193 to EA Trust Account 4613, to make an approximately $16,000 payment to Client 2.

COUNTS TWENTY THROUGH TWENTY-THREE

[26 U.S.C. § 7203]

A. INTRODUCTORY ALLEGATIONS

27. The Grand Jury re-alleges and incorporates by reference paragraphs 1 through 7, 10 through 17, 20 through 24, and 26 of this Indictment as though fully set forth herein.

28. On or about October 15, 2010, defendant MICHAEL JOHN AVENATTI ("AVENATTI") filed his U.S. Individual Income Tax Return (Form 1040) for the 2009 calendar year, which claimed defendant AVENATTI had total income of $1,939,942 and that defendant AVENATTI owed the IRS approximately $569,630 in taxes for the 2009 calendar year. Defendant AVENATTI, however, did not pay the remaining tax due for the 2009 calendar year until November 2015, when he sold his residence in Laguna Beach, California, upon which there was an IRS tax lien.

29. On or about October 11, 2011, defendant AVENATTI filed his U.S. Individual Income Tax Return (Form 1040) for the 2010 calendar year, which claimed defendant AVENATTI had total income of $1,154,800 and that defendant AVENATTI owed the IRS approximately $281,786 in taxes for the 2010 calendar year. Defendant AVENATTI, however, did not pay the remaining taxes due to the IRS for the 2010 calendar year until November 2015, when he sold his residence in Laguna Beach, California, upon which there was an IRS tax lien.

30. The 2010 Form 1040 was the last U.S. Individual Income Tax Return defendant AVENATTI filed with the IRS.

B. THE WILLFUL FAILURES TO FILE TAX RETURNS

31. During the calendar years set forth below, defendant AVENATTI, who resided in Orange and Los Angeles Counties, within the

Central District of California, had and received gross income in excess of the amounts ("threshold gross income amounts") set forth below. By reason of such gross income, defendant AVENATTI was required by law, following the close of each of the calendar years set forth below and on or before the dates set forth below ("due dates"), to make an income tax return to the IRS Center, at Fresno, California, to a person assigned to receive returns at the local office of the IRS in the Central District of California, or to another IRS officer permitted by the Commissioner of the Internal Revenue, stating specifically the items of his gross income and any deductions and credits to which he was entitled. Well knowing and believing all of the foregoing, defendant AVENATTI willfully failed, on or about the due dates set forth below, in the Central District of California and elsewhere, to make an income tax return.

COUNT	CALENDAR YEAR	THRESHHOLD GROSS INCOME AMOUNT	DUE DATE
TWENTY	2014	$20,300	October 15, 2015, pursuant to a request for an automatic extension of time filed on defendant AVENATTI's behalf
TWENTY-ONE	2015	$20,600	October 17, 2016, pursuant to a request for an automatic extension of time filed on defendant AVENATTI's behalf
TWENTY-TWO	2016	$20,700	April 15, 2017
TWENTY-THREE	2017	$20,800	April 16, 2018

COUNTS TWENTY-FOUR THROUGH TWENTY-SIX

[26 U.S.C. § 7203]

A. INTRODUCTORY ALLEGATIONS

32. The Grand Jury re-alleges and incorporates by reference paragraphs 1 through 7, 10 through 17, 20 through 24, 26, and 28 through 30 of this Indictment as though fully set forth herein.

33. On or about March 17, 2014, EA LLP filed its 2011 U.S. Return of Partnership Income federal tax return (Form 1065), and defendant MICHAEL JOHN AVENATTI ("AVENATTI") signed the return on or about March 12, 2014, as the general partner or member manager. The return listed A&A as the designated Tax Matters Partner ("TMP") before the IRS, and defendant AVENATTI as the TMP representative.

34. On or about October 8, 2014, EA LLP filed its 2012 U.S. Return of Partnership Income federal tax return (Form 1065), and defendant AVENATTI signed the return on or about October 1, 2014, as the general partner or member manager. The return listed A&A as the designated TMP before the IRS.

35. The 2012 Form 1065 for EA LLP was the last U.S. Return of Partnership Income for EA LLP filed with the IRS.

B. THE WILLFUL FAILURES TO FILE TAX RETURNS

36. During the calendar years set forth below, defendant AVENATTI conducted a business as a partnership under the name of EA LLP, with its principal place of business in Orange County, within the Central District of California. Defendant AVENATTI therefore was required by law, following the close of each of the calendar years set forth below and on or before the dates set forth below ("due dates"), to make, for and on behalf of the partnership, a partnership return of income to the IRS Center, at Ogden, Utah, to a person

assigned to receive returns at the local office of the IRS in the Central District of California, or to another IRS officer permitted by the Commissioner of the Internal Revenue, stating specifically the items of the partnership's gross income and the deductions and credits allowed by law. Well knowing and believing all of the foregoing, defendant AVENATTI willfully failed, on or about the due dates set forth below, in the Central District of California and elsewhere, to make a partnership return.

COUNT	CALENDAR YEAR	DUE DATE
TWENTY-FOUR	2015	September 15, 2016, pursuant to a request for an automatic extension of time filed on EA LLP's behalf.
TWENTY-FIVE	2016	September 15, 2017, pursuant to a request for an automatic extension of time filed on EA LLP's behalf.
TWENTY-SIX	2017	March 15, 2018.

COUNTS TWENTY-SEVEN THROUGH TWENTY-NINE

[26 U.S.C. § 7203]

A. INTRODUCTORY ALLEGATIONS

37. The Grand Jury re-alleges and incorporates by reference paragraphs 1 through 7, 10 through 17, 20 through 24, 26, 28 through 30, and 33 through 35 of this Indictment as though fully set forth herein.

38. On or about September 15, 2010, defendant MICHAEL JOHN AVENATTI ("AVENATTI") filed a 2009 U.S. Income Tax Return for an S Corporation (Form 1120S) for A&A, which claimed A&A had total income of $3,391,224 and ordinary business income of $1,578,558 for the 2009 calendar year. The return listed defendant AVENATTI as the President of A&A.

39. On or about September 30, 2011, defendant AVENATTI filed a 2010 U.S. Income Tax Return for an S Corporation (Form 1120S) for A&A, which claimed A&A had total income of $1,421,028 and ordinary business income of $821,634 for the 2010 calendar year. The return listed defendant AVENATTI as the President of A&A.

40. The 2010 Form 1120S for A&A was the last U.S. Income Tax Return for an S Corporation (Form 1120S) that defendant AVENATTI filed for A&A with the IRS.

B. THE WILLFUL FAILURE TO FILE TAX RETURN

41. During the calendar years set forth below, defendant AVENATTI was the President and CEO of A&A, with its principal place of business in Orange County, within the Central District of California. Defendant AVENATTI therefore was required by law, following the close of each of the calendar years set forth below and on or before the dates set forth below ("due dates"), to make an

income tax return, for and on behalf of the corporation, to the IRS Center, at Ogden, Utah, to a person assigned to receive returns at the local office of the IRS in the Central District of California, or to another IRS officer permitted by the Commissioner of the Internal Revenue, stating specifically the items of the corporation's gross income and the deductions and credits allowed by law. Well knowing and believing all of the foregoing, defendant AVENATTI willfully failed, on or about the due dates set forth below, in the Central District of California and elsewhere, to make an income tax return at the time required by law.

COUNT	CALENDAR YEAR	DUE DATE
TWENTY-SEVEN	2015	September 15, 2016, pursuant to a request for an automatic extension of time filed on A&A's behalf.
TWENTY-EIGHT	2016	September 15, 2017, pursuant to a request for an automatic extension of time filed on A&A's behalf.
TWENTY-NINE	2017	March 15, 2018.

COUNTS THIRTY AND THIRTY-ONE

[18 U.S.C. §§ 1344(1), 2(b)]

A. INTRODUCTORY ALLEGATIONS

42. The Grand Jury re-alleges and incorporates by reference paragraphs 1, 10, 28 through 30, 33 through 35, and 38 through 40 of this Indictment as though fully set forth herein.

43. Between in or about January 2014 and in or about April 2016, defendant MICHAEL JOHN AVENATTI ("AVENATTI") operated and controlled GB LLC and EA LLP from EA LLP's offices in Newport Beach, California.

44. At all times relevant to this Indictment, The Peoples Bank was a financial institution located in Biloxi, Mississippi, the accounts and deposits of which were insured by the Federal Deposit Insurance Corporation.

B. THE SCHEME TO DEFRAUD

45. Beginning in or about January 2014, and continuing through in or about April 2016, in Orange County, within the Central District of California, and elsewhere, defendant AVENATTI, together with others known and unknown to the Grand Jury, knowingly and with intent to defraud, executed and attempted to execute a scheme to defraud The Peoples Bank as to material matters.

46. The fraudulent scheme operated, in substance, in the following manner:

a. Between in or about January 2014 and in or about December 2014, defendant AVENATTI sought and obtained the following three loans from The Peoples Bank on behalf of the following companies that defendant AVENATTI controlled:

i. In or about January 2014, defendant AVENATTI sought and obtained a $850,000 loan to GB LLC (the "January 2014 GB LLC Loan");

ii. In or about March 2014, defendant AVENATTI sought and obtained a $2,750,000 loan to EA LLP (the "March 2014 EA LLP Loan"), from which defendant AVENATTI used approximately $884,166 to pay off the January 2014 GB LLC Loan; and

iii. In or about December 2014, defendant AVENATTI sought and obtained a $500,000 loan to EA LLP (the "December 2014 EA LLP Loan").

b. In order to obtain the March 2014 EA LLP Loan and the December 2014 EA LLP Loan from The Peoples Bank, defendant AVENATTI omitted and concealed material facts, and provided The Peoples Bank with materially false financial information, including, but not limited to, false and fraudulent individual and partnership tax returns, and false and fraudulent balance sheets and financial statements, as described below.

c. In support of the application for the March 2014 EA LLP Loan, defendant AVENATTI submitted to The Peoples Bank a 2011 U.S. Individual Income Tax Return (Form 1040) (the "Peoples Bank 2011 Form 1040") stating that defendant AVENATTI had an adjusted gross income for the 2011 calendar year of approximately $4,562,881, and had a tax due and owing to the IRS for the 2011 calendar year of approximately $1,506,707. In truth and in fact, as defendant AVENATTI then well knew, defendant AVENATTI had not filed the Peoples Bank 2011 Form 1040 with the IRS, had not filed any 2011 U.S. Individual Income Tax Return with the IRS, and had not paid to the

IRS the $1,506,707 defendant AVENATTI purportedly owed for the 2011 calendar year.

d. In support of the application for the March 2014 EA LLP Loan, on or about March 11, 2014, defendant AVENATTI submitted to The Peoples Bank a personal financial statement as of March 11, 2014, in which defendant AVENATTI failed to disclose to The Peoples Bank that defendant AVENATTI still owed the IRS approximately $850,438 in unpaid personal income taxes, plus interest and penalties, for the 2009 and 2010 calendar years.

e. In support of the application for the March 2014 EA LLP Loan, on or about March 11, 2014, defendant AVENATTI submitted to The Peoples Bank a Balance Sheet for January 2014 through March 10, 2014 for EA LLP, which stated, among other things, that EA LLP had approximately $508,299 in its operating account, EA Account 8461, as of March 10, 2014. In truth and in fact, as defendant AVENATTI then well knew, the balance in EA Account 8461 as of March 10, 2014, was approximately $43,013.

f. In support of the application for the March 2014 EA LLP Loan, on or about March 13, 2014, defendant AVENATTI submitted to The Peoples Bank a 2012 U.S. Partnership Return (Form 1065) for EA LLP (the "Peoples Bank 2012 Form 1065"), which stated that in the 2012 calendar year EA LLP had total income of approximately $11,426,021, and ordinary business income of approximately $5,819,458. In truth and in fact, as defendant AVENATTI then well knew, the Peoples Bank 2012 Form 1065, had not been filed with the IRS. Rather, in or about October 2014, defendant AVENATTI caused a different 2012 U.S. Partnership Return (Form 1065) to be filed with

the IRS (the "IRS 2012 Form 1065"), which differed materially from the Peoples Bank 2012 EA 1065 in the following ways:

i. The Peoples Bank 2012 Form 1065 stated that in the 2012 calendar year EA LLP had total income of approximately $11,426,021, whereas the IRS 2012 Form 1065 stated that in the 2012 calendar year EA LLP had gross receipts and total income of approximately $6,212,605.

ii. The Peoples Bank 2012 Form 1065 stated that in the 2012 calendar year EA LLP had ordinary business income of approximately $5,819,458, whereas the IRS 2012 Form 1065 stated that EA LLP had an ordinary business loss of approximately $2,128,849.

g. In reliance on the false and fraudulent information defendant AVENATTI submitted to The Peoples Bank in support of the March 2014 EA LLP Loan, on or about March 14, 2014, The Peoples Bank approved the March 2014 EA LLP Loan and transferred approximately $1,824,584 to EA Account 8461.

h. In support of the application for the December 2014 EA LLP Loan, on or about November 16, 2014, defendant AVENATTI submitted to The Peoples Bank a Balance Sheet for January 2014 through September 2014 for EA LLP, which stated, among other things, that EA LLP had approximately $712,729 in EA Account 8461 as of September 30, 2014. In truth and in fact, as defendant AVENATTI then well knew, the balance in EA Account 8461 as of September 30, 2014, was approximately $27,710.

i. In support of the application for the December 2014 EA LLP Loan, on or about November 22, 2014, defendant AVENATTI submitted to The Peoples Bank a personal financial statement as of November 1, 2014, in which defendant AVENATTI failed to disclose to The Peoples

Bank that defendant AVENATTI still owed the IRS approximately $850,438 in unpaid personal income taxes, plus interest and penalties, for the 2009 and 2010 calendar years.

j. In support of the application for the December 2014 EA LLP Loan, on or about December 1, 2014, defendant AVENATTI submitted to The Peoples Bank a 2012 U.S. Individual Income Tax Return (Form 1040) (the "Peoples Bank 2012 Form 1040"), stating that defendant AVENATTI had total income for the 2012 calendar year of approximately $5,423,099, and had paid to the IRS $1,600,000 in estimated tax payments. In truth and in fact, as defendant AVENATTI then well knew, defendant AVENATTI had not filed the Peoples Bank 2012 Form 1040 with the IRS, had not filed any 2012 U.S. Individual Income Tax Return with the IRS, and had not made any payments to the IRS towards his 2012 individual tax liability.

k. In support of the application for the December 2014 EA LLP Loan, on or about December 1, 2014, defendant AVENATTI submitted to The Peoples Bank a 2013 U.S. Individual Income Tax Return (Form 1040) (the "Peoples Bank 2013 Form 1040"), stating that defendant AVENATTI had total income for the 2013 calendar year of approximately $4,082,803, and had paid to the IRS approximately $1,250,000 in estimated tax payments and approximately $103,511 in withholdings. In truth and in fact, as defendant AVENATTI then well knew, defendant AVENATTI had not filed the Peoples Bank 2013 Form 1040 with the IRS, had not filed any 2013 U.S. Individual Income Tax Return with the IRS, had not made any estimated tax payments to the IRS towards his 2013 individual tax liability, and did not have any tax withholdings during the 2013 calendar year.

l. In order to obtain the December 2014 EA LLP Loan, on or about December 12, 2014, defendant AVENATTI, on behalf of EA LLP, signed a commercial pledge agreement whereby EA LLP agreed to "Assignment of the First $500,000 Plus Interest of Settlement Proceeds in the Meridian related cases, said attorney's fees to be $10.8 million plus out of pocket costs for class counsel [EA LLP]." On or about March 31, 2015, after EA LLP received a $3,034,514 wire transfer from the trustee of the Meridian settlement, defendant AVENATTI concealed and did not disclose, and caused EA LLP to conceal and not disclose, the receipt of the funds to The Peoples Bank, and did not distribute and caused EA LLP not to distribute the first $500,000 to The Peoples Bank as defendant AVENATTI on behalf of EA LLP had agreed to do.

m. In reliance on the false and fraudulent information defendant AVENATTI submitted to The Peoples Bank in support of the March 2014 EA LLP Loan and the December 2014 EA LLP Loan, on or about December 12, 2014, The Peoples Bank approved the December 2014 EA LLP Loan and transferred approximately $494,500 to EA Account 8461.

C. EXECUTIONS OF THE SCHEME TO DEFRAUD

47. On or about the dates set forth below, in Orange County, within the Central District of California, and elsewhere, defendant AVENATTI, together with others known and unknown to the Grand Jury, executed the fraudulent scheme by committing and willfully causing others to commit the following acts:

COUNT	DATE	ACT
THIRTY	3/14/2014	Receipt of March 2014 EA LLP Loan proceeds in the amount of approximately $1,824,584.

COUNT	DATE	ACT
THIRTY-ONE	12/12/2014	Receipt of December 2014 EA LLP Loan proceeds in the amount of approximately $494,500.

COUNT THIRTY-TWO

[18 U.S.C. §§ 1028A(a)(1), 2(b)]

48. The Grand Jury re-alleges and incorporates by reference paragraphs 1, 10, 28 through 30, 33 through 35, 38 through 40, and 43 through 46 of this Indictment as though fully set forth herein.

49. On or about December 1, 2014, in Orange County, within the Central District of California, and elsewhere, defendant MICHAEL JOHN AVENATTI ("AVENATTI") knowingly transferred, possessed, and used, and willfully caused to be transferred, possessed, and used, without lawful authority, a means of identification that defendant AVENATTI knew belonged to another person, namely, the name and preparer tax identification number ("PTIN") of M.H., during and in relation to the offense of Bank Fraud, a felony violation of Title 18, United States Code, Section 1344(1), as charged in Count Thirty-One of this Indictment.

COUNT THIRTY-THREE

[18 U.S.C. §§ 152(3), 2(b)]

A. INTRODUCTORY ALLEGATIONS

50. The Grand Jury re-alleges and incorporates by reference paragraphs 1 through 7 of this Indictment as though fully set forth herein.

51. In or about February 2016, J.F., a former partner at EA LLP, filed an arbitration claim against EA LLP and defendant MICHAEL JOHN AVENATTI ("AVENATTI"). In or about February 2017, the arbitration panel ordered the depositions of defendant AVENATTI and EA Employee 1 to take place on March 3, 2017.

52. On or about March 1, 2017, a creditor of EA LLP, filed an involuntary Chapter 11 bankruptcy petition against EA LLP in the Middle District of Florida. By law, the filing of the bankruptcy petition created an automatic stay under Section 362 of Title 11 of the arbitration between J.F. and EA LLP and defendant AVENATTI.

53. On or about March 8, 2017, in response to an emergency motion filed by J.F. for relief from the automatic stay, the Bankruptcy Court in the Middle District of Florida ordered that unless EA LLP consented to the bankruptcy by March 10, 2017, the Court would grant relief from the automatic stay and thereby allow the arbitration to proceed.

54. On or about March 10, 2017, EA LLP consented to an order for relief under Chapter 11 of Title 11 and, as a result, EA LLP became a debtor in possession in bankruptcy.

55. On or about April 11, 2017, defendant AVENATTI certified and declared under penalty of perjury as the managing partner of EA LLP that the United States Trustee Financial Requirements Checklist,

Certifications, and any Attachments Thereto, were true and correct to the best of his knowledge and belief. Defendant AVENATTI on behalf of EA LLP further certified that he had "read and underst[ood] the United States Trustee Chapter 11 'Operating Guidelines and Reporting Requirements for Debtors in Possession and Trustees'" and "agree[d] to perform in accordance with said guidelines and requirements." Specifically, defendant AVENATTI certified as the managing partner of EA LLP that he understood, among other things, that EA LLP was required to: (a) close all pre-petition bank accounts controlled by the debtor, EA LLP; (b) immediately open new debtor-in-possession ("DIP") operating, payroll, and tax accounts; and (c) deposit all business revenues into the DIP operating account.

56. On or about April 20, 2017, the EA LLP Chapter 11 bankruptcy was transferred from the Middle District of Florida to the Central District of California as In re: Eagan Avenatti LLP, bearing case number 8:17-bk-11961-CB. In the bankruptcy case, EA LLP was the debtor in possession, and all property and assets in which the debtor had any ownership or interest at the time of the filing of the bankruptcy petition as well as any interest in property that the debtor acquired after the commencement of the bankruptcy case was the "bankruptcy estate," and was under the management and control of the debtor in possession.

57. On or about May 12, 2017, the Office of the United States Trustee in the Central District of California provided defendant AVENATTI the Guidelines and Requirements for Chapter 11 Debtors in Possession (the "Guidelines and Requirements"), which required EA LLP to close all existing bank accounts and open new DIP general,

payroll, and tax bank accounts, and to file a declaration regarding EA LLP's compliance with the Guidelines and Requirements.

58. On or about May 30, 2017, defendant AVENATTI signed under penalty of perjury as the managing partner of EA LLP a "Declaration of Debtor Regarding Compliance with the United States Trustee Guidelines and Requirements for Chapter 11 Debtors in Possession," which included the following information:

a. Defendant AVENATTI, on behalf of EA LLP, confirmed that EA LLP had closed all pre-petition bank accounts, and provided the account information for EA LLP's three new DIP bank accounts.

b. Defendant AVENATTI, on behalf of EA LLP, provided the United States Trustee with evidence that EA LLP had closed EA LLP's prior general account and opened three new DIP bank accounts.

c. In response to the requirement that EA LLP list the last two years for which EA LLP filed federal and state tax returns, defendant AVENATTI, on behalf of EA LLP, stated that neither "[t]he Debtor nor its accountant has copies of its 2014 and 2015 federal or state income tax returns. The Debtor will seek to obtain copies of them from the IRS and the State of California."

59. Pursuant to the Guidelines and Requirements, EA LLP had additional and ongoing requirements during the course of the bankruptcy, including the following:

a. Before any insiders, including the owners, partners, officers, directors, and shareholders of EA LLP and relatives of insiders, could receive compensation from the bankruptcy estate, EA LLP was required to provide notice to the creditors and the United States Trustee. No such compensation could be paid to any insiders until 15 days after service of the notice and (i) no objection had

been received by the Bankruptcy Court; or (ii) if an objection had been received, the Bankruptcy Court had resolved the objection.

b. EA LLP was required to file Monthly Operating Reports ("MOR") to include, among other things, "information regarding bank accounts over which the debtor ha[d] possession, custody, control, access or signatory authority, even if the account [was] not in the debtor's name and whether or not the account contain[ed] only post-petition income." EA LLP was "required to report all of [its] financial information in the MOR."

60. From on or about May 25, 2017, through on or about February 15, 2018, defendant AVENATTI signed under penalty of perjury and filed MORs for EA LLP for eleven months, namely, March 2017 through January 2018, inclusive, which included the following information:

a. The first page of each MOR stated that "All receipts must be deposited into the general account," and required EA LLP to itemize: (i) the beginning balance of the general account for the month at issue; (ii) all receipts EA LLP obtained during the month; (iii) all of the disbursements EA LLP made during the month, including transfers to other DIP accounts; and (iv) the ending balance of the general account for the month at issue.

b. Each MOR required EA LLP to include all receipts and expenditures during the monthly reporting period, as well as the cumulative post-petition amounts. On all eleven MORs that defendant AVENATTI signed under penalty of perjury on behalf of EA LLP, defendant AVENATTI claimed zero payroll was made to insiders. Immediately above the penalty of perjury declaration, each MOR sought answers to several questions, including whether EA LLP provided compensation or remuneration to any officers, directors, principals,

or other insiders without appropriate authorization during the reporting period. On all eleven MORs that defendant AVENATTI signed under penalty of perjury on behalf of EA LLP, defendant AVENATTI answered "no" to the question whether any compensation or remuneration was made to any officers, directors, principals, or other insiders.

B. FALSE DECLARATION

61. On or about June 19, 2017, in Orange County, within the Central District of California, defendant AVENATTI knowingly and fraudulently made and willfully caused to be made a materially false declaration and statement under penalty of perjury within the meaning of Title 28, United States Code, Section 1746, in and in relation to a case under Title 11 of the United States Code, namely, In re: Eagan Avenatti LLP, No. 8:17-bk-11961-CB in United States Bankruptcy Court for the Central District of California, by submitting and declaring under penalty of perjury to be true and complete the Monthly Operating Report for EA LLP for the period May 1, 2017, through May 30, 2017 (the "May 2017 MOR"), in which defendant AVENATTI, as the Managing Partner for EA LLP, falsely stated that EA LLP's "Receipts During Current Period; Accounts Receivable - Post Filing" were $409,953.70, whereas, in truth and in fact, as defendant AVENATTI then well knew, EA LLP's receipts during the May 2017 MOR period, accounts receivable - post filing were greater than $409,953.70.

COUNT THIRTY-FOUR

[18 U.S.C. § 152(3), 2(b)]

62. The Grand Jury re-alleges and incorporates by reference paragraphs 1 through 7 and 51 through 60 of this Indictment as though fully set forth herein.

63. On or about October 16, 2017, in Orange County, within the Central District of California, defendant MICHAEL JOHN AVENATTI ("AVENATTI") knowingly and fraudulently made and willfully caused to be made a materially false declaration and statement under penalty of perjury within the meaning of Title 28, United States Code, Section 1746, in and in relation to a case under Title 11 of the United States Code, namely, In re: Eagan Avenatti LLP, No. 8:17-bk-11961-CB in United States Bankruptcy Court for the Central District of California, by submitting and declaring under penalty of perjury to be true and complete the Monthly Operating Report for EA LLP for the period September 1, 2017, through September 30, 2017 ("September 2017 MOR"), in which defendant AVENATTI, as the Managing Partner for EA LLP, falsely stated that EA LLP's "Receipts During Current Period; Accounts Receivable - Post Filing" were $829,635.28, whereas, in truth and in fact, as defendant AVENATTI then well knew, EA LLP's receipts during the September 2017 MOR period, accounts receivable - post filing were greater than $829,635.28.

COUNT THIRTY-FIVE

[18 U.S.C. § 152(3), 2(b)]

64. The Grand Jury re-alleges and incorporates by reference paragraphs 1 through 7 and 51 through 60 of this Indictment as though fully set forth herein.

65. On or about February 15, 2018, in Orange County, within the Central District of California, defendant MICHAEL JOHN AVENATTI ("AVENATTI") knowingly and fraudulently made and willfully caused to be made a materially false declaration and statement under penalty of perjury within the meaning of Title 28, United States Code, Section 1746, in and in relation to a case under Title 11 of the United States Code, namely, In re: Eagan Avenatti LLP, No. 8:17-bk-11961-CB in United States Bankruptcy Court for the Central District of California, by submitting and declaring under penalty of perjury to be true and complete the Monthly Operating Report for EA LLP for the period January 1, 2018, through January 31, 2018 ("January 2018 MOR"), in which defendant AVENATTI, as the Managing Partner for EA LLP, falsely stated that EA LLP's "Receipts During Current Period; Accounts Receivable - Post Filing" were $232,221.11, whereas, in truth and in fact, as defendant AVENATTI then well knew, EA LLP's receipts during the January 2018 MOR period, accounts receivable - post filing were greater than $232,221.11.

COUNT THIRTY-SIX

[18 U.S.C. § 152(2)]

66. The Grand Jury re-alleges and incorporates by reference paragraphs 1 through 7 and 51 through 60 of this Indictment as though fully set forth herein.

67. On or about June 12, 2017, in Orange County, within the Central District of California, defendant MICHAEL JOHN AVENATTI ("AVENATTI") knowingly and fraudulently made a false oath as to a material matter in and in relation to a case under Title 11 of the United States Code, namely, In re: Eagan Avenatti LLP, No. 8:17-bk-11961-CB in United States Bankruptcy Court for the Central District of California, in that defendant AVENATTI testified under oath at the Section 341(a) debtor's examination and stated "no" when asked whether the debtor, EA LLP, received any counsel fees from the Super Bowl NFL litigation. In truth and in fact, as defendant AVENATTI well knew at the time he made the false oath, defendant AVENATTI and EA LLP had received fees from the Super Bowl NFL litigation, namely, two wire transfers totaling approximately $1,361,000, including attorneys' fees, on or about May 17, 2017.

FORFEITURE ALLEGATION ONE

[18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c)]

68. Pursuant to Rule 32.2 of the Federal Rules of Criminal Procedure, notice is hereby given that the United States of America will seek forfeiture as part of any sentence, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), in the event of the defendant's conviction of the offenses set forth in any of Counts One through Ten, Thirty, Thirty-One, or Thirty-Three through Thirty-Six of this Indictment.

69. Defendant shall forfeit to the United States of America the following:

a. all right, title, and interest in any and all property, real or personal, constituting or derived from any proceeds obtained, directly or indirectly, as a result of the offense, or property traceable to such proceeds; and

b. To the extent such property is not available for forfeiture, a sum of money equal to the total value of the property described in subparagraph (a).

70. Pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), the defendant shall forfeit substitute property, up to the value of the property described in the preceding paragraph if, as the result of any act or omission of the defendant, the property described in the preceding paragraph or any portion thereof (a) cannot be located upon the exercise of due diligence; (b) has been transferred, sold to, or deposited with a third party; (c) has been placed beyond the jurisdiction of the court; (d) has been substantially diminished in

value; or (e) has been commingled with other property that cannot be divided without difficulty.

FORFEITURE ALLEGATION TWO

[18 U.S.C. §§ 982 and 1028, and 28 U.S.C. §2461(c)]

71. Pursuant to Rule 32.2 of the Federal Rules of Criminal Procedure, notice is hereby given that the United States of America will seek forfeiture as part of any sentence, pursuant to Title 18, United States Code, Sections 982 and 1028, and Title 28, United States Code, Section 2461(c), in the event of defendant's conviction of the offense set forth in Count Thirty-Two of this Indictment.

72. Defendant, if so convicted, shall forfeit to the United States of America the following:

a. All right, title and interest in any and all property, real or personal, constituting or derived from any proceeds obtained, directly or indirectly, as a result of the offense, and any property traceable thereto;

b. Any personal property used or intended to be used to commit the offense; and

c. To the extent such property is not available for forfeiture, a sum of money equal to the total value of the property described in subparagraphs (a) and (b).

73. Pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Sections 982(b) and 1028(g), the defendant, if so convicted, shall forfeit substitute property, up to the total value of the property described in the preceding paragraph if, as the result of any act or omission of the defendant, the property described in the preceding paragraph, or any portion thereof: (a) cannot be located upon the exercise of due diligence; (b) has been transferred, sold to or deposited with a third party; (c) has been placed beyond the jurisdiction of the

court; (d) has been substantially diminished in value; or (e) has been commingled with other property that cannot be divided without difficulty.

A TRUE BILL

_____

Foreperson

NICOLA T. HANNA
United States Attorney

LAWRENCE S. MIDDLETON
Assistant United States Attorney
Chief, Criminal Division

RANEE A. KATZENSTEIN
Assistant United States Attorney
Chief, Major Frauds Section

JULIAN L. ANDRÉ
Assistant United States Attorney
Major Frauds Section

BRETT A. SAGEL
Assistant United States Attorney
Santa Ana Branch Office

EXHIBIT 8

CLOSED

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA (Southern Division - Santa Ana)
CRIMINAL DOCKET FOR CASE #: 8:19-mj-00241-DUTY-1

Case title: USA v. Avenatti

Date Filed: 03/22/2019
Date Terminated: 04/10/2019

Assigned to: Duty Magistrate Judge

Defendant (1)

Michael J. Avenatti
TERMINATED: 04/10/2019

represented by **John Lewis Littrell**
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LEAD ATTORNEY
ATTORNEY TO BE NOTICED
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Pending Counts

Disposition

None

Highest Offense Level (Opening)

None

Terminated Counts

Disposition

None

Highest Offense Level (Terminated)

None

Complaints

Defendant in violation of 18:1343,1344(1)

Disposition

Plaintiff

USA

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Date Filed	#	Docket Text
03/22/2019	1	COMPLAINT filed as to Michael J. Avenatti Approved by Magistrate Judge Douglas F. McCormick as to Michael J. Avenatti (1). (mhe) (Entered: 03/25/2019)
03/22/2019	3	ORDER FINDING RE PROBABLE CAUSE by Magistrate Judge Douglas F. McCormick as to Defendant Michael J. Avenatti, (mhe) (Entered: 03/25/2019)
03/22/2019	4	NOTICE OF REQUEST FOR DETENTION filed by Plaintiff USA as to Defendant Michael J. Avenatti (mhe) (Entered: 03/25/2019)
03/22/2019	5	SEALED EX PARTE APPLICATION to Seal Case Filed by Plaintiff USA as to Defendant Michael J. Avenatti. (mhe) (Entered: 03/25/2019)
03/22/2019	6	ORDER by Magistrate Judge Douglas F. McCormick: granting 5 EX PARTE APPLICATION to Seal Case as to Michael J. Avenatti (1) (mhe) (Entered: 03/25/2019)
03/24/2019	7	SEALED EX PARTE APPLICATION to Unseal Case Filed by Plaintiff USA as to Defendant Michael J. Avenatti. (mhe) (Entered: 03/26/2019)
03/24/2019	8	SEALED ORDER by Magistrate Judge Douglas F. McCormick: granting 7 EX PARTE APPLICATION to Unseal Case as to Michael J. Avenatti (1) (mhe) (Entered: 03/26/2019)
03/27/2019	9	

		NOTICE filed by Plaintiff USA as to Defendant Michael J. Avenatti *OF EXECUTION OF ARREST WARRANT AND UNSEALING OF DOCUMENTS* (Sagel, Brett) (Entered: 03/27/2019)
04/01/2019	10	MINUTES OF INITIAL APPEARANCE ON LOCAL COMPLAINT held before Magistrate Judge John D. Early as to Defendant Michael J. Avenatti. Defendant arraigned and advised of the charges. Defendant states true name as charged. Attorney: John Lewis Littrell, Steven Jay Katzman for Michael J. Avenatti, Retained, present. Court orders bail set as: Michael J. Avenatti (1) previously set in the Southern District of New York, see attached for terms and conditions. Post-Indictment Arraignment set for 4/29/2019 10:00 AM before Magistrate Judge John D. Early. Court Smart: CS 4/1/19. (mhe) (Entered: 04/03/2019)
04/01/2019	11	NOTICE DIRECTING DEFENDANT TO APPEAR for Arraignment on Indictment/Information. Defendant Michael J. Avenatti directed to appear on 4/29/19 at 10:00 am before the Duty Magistrate Judge. (mhe) (Entered: 04/03/2019)
04/01/2019	12	WAIVER of Preliminary Examination or Hearing by Defendant Michael J. Avenatti (mhe) (Entered: 04/03/2019)
04/03/2019	13	Rule 5(c)(3) Documents Received as to Michael J. Avenatti (mhe) (Entered: 04/03/2019)
04/04/2019	14	Out of District Bond received from Southern District of New York. (mhe) (Entered: 04/05/2019)
04/08/2019	15	ARREST WARRANT RETURNED Executed on 4/1/19 as to Defendant Michael J. Avenatti. (mhe) (Entered: 04/09/2019)
04/10/2019	16	TERMINATED merged defendant case for Defendant Michael J. Avenatti. Merged into CR case number: 8:19CR61. All future filings should be made in case 8:19CR61. Please be advised that no further filings may be made under case number 8:19-mj-241. Any such filings made after the entry of this Notice may not be reviewed or considered by the Court. (mhe) (Entered: 04/11/2019)

PACER Service Center

Transaction Receipt

04/29/2019 11:27:45

PACER Login:	StateBar105:2703964:0	**Client Code:**	19-O-10483 Avenatti
Description:	Docket Report	**Search Criteria:**	8:19-mj-00241-DUTY End date: 4/29/2019
Billable Pages:	2	**Cost:**	0.20

EXHIBIT 9

ORIGINAL

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- - - - - - - - - - - - - - - - - - x

UNITED STATES OF AMERICA

- v. -

MICHAEL AVENATTI,

Defendant.

- - - - - - - - - - - - - - - - - - x

INDICTMENT

19 Cr.

19 CRIM 374
JUDGE BATTS

OVERVIEW

1. The charges in this Indictment arise from a scheme in which MICHAEL AVENATTI, the defendant, abused the trust of, defrauded, and stole from a client ("Victim-1") by diverting money owed to Victim-1 to AVENATTI's control and use. As described more fully below, after assisting Victim-1 in securing a book contract, AVENATTI stole a significant portion of Victim-1's advance on that contract. He did so by, among other things, sending a fraudulent and unauthorized letter purporting to contain Victim-1's signature to Victim-1's literary agent, which instructed the agent to send payments not to Victim-1 but to a bank account controlled by AVENATTI.

2. After receiving the money into that account, MICHAEL AVENATTI, the defendant, used it for his own purposes, including, among other things, to pay employees of his law firm and a coffee business he owned, to make payments to individuals

with whom AVENATTI had personal relationships, to make a luxury car payment, and to pay for hotels, airfare, meals, car services, and dry cleaning. When Victim-1 inquired about the status of Victim-1's advance fees, AVENATTI repeatedly lied to Victim-1, including by stating that he was working on getting the fees from Victim-1's publisher, when, in truth and in fact, AVENATTI had already received the fees and spent them on his own personal and professional expenses. In total, AVENATTI stole approximately $300,000 from Victim-1, and has not repaid Victim-1 half of that money.

RELEVANT INDIVIDUALS AND ENTITIES

3. At all relevant times, MICHAEL AVENATTI, the defendant, was an attorney licensed to practice in the state of California.

4. Victim-1 is an individual who retained MICHAEL AVENATTI, the defendant, to provide legal services in or about February 2018. That representation continued until in or about February 2019.

5. "Agent-1" is a literary agent, based in Manhattan, New York, who was retained by Victim-1 in or about April 2018 to represent Victim-1 with respect to Victim-1's efforts to write and publish a book.

6. "Publisher-1" is a publisher, based in Manhattan, New York, which, in or about April 2018, entered into a contract

(the "Contract") with Victim-1 and Agent-1 for the publication of a book by Victim-1.

THE BOOK PAYMENT EMBEZZLEMENT SCHEME

Victim-1's Book Deal

7. As noted above, Victim-1 entered into the Contract with Publisher-1 and Agent-1 in or about April 2018. Pursuant to the terms of the Contract, Victim-1 would receive an $800,000 advance, to be paid by Publisher-1 in four installments as follows:

a. Publisher-1 would pay Victim-1 $250,000 upon the signing of the Contract (the "First Payment").

b. Publisher-1 would pay Victim-1 $175,000 upon Victim-1's delivery and Publisher-1's acceptance of the final manuscript of Victim-1's book (the "Second Payment").

c. Publisher-1 would pay Victim-1 $175,000 upon the publication of Victim-1's book and in no event more than six months after delivery and acceptance of the final manuscript, provided certain publicity requirements were met (the "Third Payment").

d. Publisher-1 would pay Victim-1 $200,000 six months after publication of Victim-1's book or completion of certain publicity requirements and in no event more than twelve months after delivery and acceptance of the final manuscript,

provided certain publicity requirements were met (the "Fourth Payment").

8. Pursuant to Victim-1's agreement with Agent-1, each payment described above would be sent by Publisher-1 to Agent-1, who would then pass the payment on to Victim-1 after withholding Agent-1's fee.

9. MICHAEL AVENATTI, the defendant, assisted Victim-1 in negotiations regarding the Contract. Although AVENATTI's retainer agreement with Victim-1 provided that he could receive a fee for such assistance, AVENATTI subsequently told Victim-1, in substance and in part, that he would not accept payment or remuneration from Victim-1 for any work relating to Victim-1's book.

10. As described further below, MICHAEL AVENATTI, the defendant, engaged in a scheme to defraud Victim-1 by which he obtained control over and embezzled the Second and Third Payments.

The First Payment

11. At or around the same time Victim-1 signed the Contract, Publisher-1 sent the initial payment of approximately $250,000 to Agent-1, who sent by wire to a bank account designated by Victim-1 ("Account-1") a payment of approximately $212,500, representing the $250,000 payment less Agent-1's fee.

The Second Payment

12. On or about July 19, 2018, Victim-1 opened a new bank account ("Account-2") for the purpose of, among other things, receiving the remaining payments under the Contract. Around this time, Victim-1 told MICHAEL AVENATTI, the defendant, that Victim-1 did not want any further payments under the Contract to be sent to Account-1, and that a new account, i.e., Account-2, was being opened to receive such payments. Victim-1 did not instruct or authorize AVENATTI to receive any payments under the Contract on Victim-1's behalf.

13. On or about July 29, 2018, by electronic message, Victim-1 asked MICHAEL AVENATTI, the defendant, in substance, whether he knew when Victim-1 would receive the Second Payment. AVENATTI responded that Victim-1 would receive payment "in the next two weeks," because the Second Payment "comes on acceptance [of the manuscript], which should be shortly." Victim-1 had at that time already submitted Victim-1's manuscript to Publisher-1.

14. On or about July 31, 2018, without Victim-1's knowledge or authorization, MICHAEL AVENATTI, the defendant, told Agent-1, in substance and in part, to send the Second Payment to an account entitled "Avenatti & Associates – Attorney Client Trust ([Victim-1])" (the "Avenatti Client Account"), an

account that AVENATTI controlled and of which Victim-1 was not aware.

15. On or about August 1, 2018, after Agent-1 responded to MICHAEL AVENATTI, the defendant, that Agent-1 could not redirect payment to a new account without authorization from Victim-1, AVENATTI sent Agent-1 by email, which traveled interstate, a letter that purported to be from Victim-1 and appeared to contain Victim-1's signature, instructing Agent-1 to send all advance payments to the Avenatti Client Account (the "False Wire Instructions"). Victim-1 neither authorized nor signed the False Wire Instructions and, in fact, was not even aware of the existence of the False Wire Instructions.

16. Between on or about August 1 and August 3, 2018, pursuant to the False Wire Instructions, Agent-1 transferred by wire approximately $148,750, i.e., the Second Payment's amount less Agent-1's fee, to the Avenatti Client Account.

17. MICHAEL AVENATTI, the defendant, did not tell Victim-1 that he had received the Second Payment on Victim-1's behalf. Instead, immediately after receiving the first portion of the Second Payment into the Avenatti Client Account, AVENATTI began transferring money from the Avenatti Client Account to other bank accounts that he controlled for his own personal and business use. The funds were used, among other ways, for the following purposes:

a. To fund approximately $57,000 of payroll associated with the law firm Eagan Avenatti LLP (through which AVENATTI also practiced law);

b. To pay in excess of $20,000 for insurance, airfare, hotels, car services, restaurants and meal delivery, and online retailers;

c. To provide $1,900 to an individual ("Client-2") whom AVENATTI had represented in a lawsuit against the County of Los Angeles, California; and

d. To fund, in the approximate amount of $12,800, payroll checks for a coffee business controlled by AVENATTI.

18. By on or about August 20, 2018, only approximately $625 of Victim-1's Second Payment remained in the Avenatti Client Account.

19. In late August 2018, Victim-1 told MICHAEL AVENATTI, the defendant, in substance and in part, that Victim-1 had not received the Second Payment and asked for AVENATTI's assistance in helping to obtain the payment, which Victim-1 believed was late. AVENATTI did not inform Victim-1 that he had already received the Second Payment, which had been sent by Agent-1 into the Avenatti Client Account, or that he had spent the funds for his own purposes. Instead, AVENATTI misleadingly

and fraudulently told Victim-1, in substance and in part, that he would help obtain the payment for Victim-1 from Publisher-1.

20. On or about September 4, 2018, Victim-1 sent by electronic message to MICHAEL AVENATTI, the defendant, information for Account-2. In that message, Victim-1 stated that the information for Account-2 was "My new account info for publisher," which Victim-1 believed still had not made the Second Payment.

21. On or about September 5, 2018, MICHAEL AVENATTI, the defendant, received a payment of approximately $250,000 into another account that he controlled designated as the "Michael Avenatti Esq Trust Account," which previously had a near-zero balance. That same day, AVENATTI made a payment from that account to Account-2 in the amount of approximately $148,750, so that Victim-1 would not be aware that AVENATTI had converted and used the proceeds from the Second Payment for his own personal and business purposes.

The Third Payment

22. On or about September 13, 2018, without Victim-1's knowledge or authorization, MICHAEL AVENATTI, the defendant, spoke with Agent-1 and suggested that Publisher-1 should make the Third Payment early, even though the Third Payment was not due until publication of Victim-1's book. Agent-1 relayed the request to Publisher-1, which agreed to make an early payment,

and sent the Third Payment to Agent-1, who, on or about September 17, 2018, sent by wire, pursuant to the False Wire Instructions, $148,750, i.e., the Third Payment less Agent-1's fee, to the Avenatti Client Account.

23. On or about September 17, 2018, after receiving the $148,750 of the Third Payment into the Avenatti Client Account, MICHAEL AVENATTI, the defendant, began moving the $148,750 out of the Avenatti Client Account into other accounts that he controlled for his own personal and business use. The funds were used, among other ways, for the following purposes:

a. To pay approximately $11,000 to individuals with whom AVENATTI had relationships;

b. To make a monthly lease payment of approximately $3,900 for a Ferrari automobile;

c. To pay more than $15,000 in expenses including but not limited to airfare, dry cleaning, hotels, restaurants and meals, and car services;

d. To provide another $1,900 to Client-2;

e. To make approximately $56,000 in payroll payments for Eagan Avenatti LLP; and

f. To fund approximately $12,000 in payments to an insurance company to cover premiums for AVENATTI's law firm.

24. As noted above, the Third Payment was owed to Victim-1 at or around the time of the publication of Victim-1's

book, which occurred on or about October 2, 2018. On or about October 1, 2018, Victim-1, unaware that MICHAEL AVENATTI, the defendant, had requested and obtained the Third Payment early, asked AVENATTI, by electronic message, whether, under the Contract, Victim-1 would be paid the following day, to which AVENATTI responded, "Yes." The following day, on or about October 2, 2018, Victim-1 stated to AVENATTI by electronic message, "publisher owes me a payment today." AVENATTI did not tell Victim-1 that he had already received the payment into the Avenatti Client Account more than two weeks earlier, but instead misleadingly and fraudulently stated, "On it. We need to make sure we have the publicity requirement met."

25. Later in or about October 2018 and in the months between in or about October 2018 and in or about February 2019, Victim-1, by phone and by electronic message, repeatedly asked MICHAEL AVENATTI, the defendant, for assistance in obtaining the Third Payment. At no time did AVENATTI state or indicate that he had received the Third Payment, but instead fraudulently stated, in substance and in part and on multiple occasions, that Publisher-1 was withholding payment. For example, the following exchanges occurred by electronic message:

a. On or about October 29, 2018, Victim-1 asked AVENATTI, "did you ask publisher about my payment?" and noted,

"Tomorrow it will be one week late." AVENATTI responded, "Yes, They are on it."

b. On or about November 27, 2018, Victim-1 asked AVENATTI, "What about the publisher?" AVENATTI did not state that he had previously received the Third Payment, but instead responded, falsely, in substance and in part, that Publisher-1 needed a list of publicity undertaken by Victim-1 before Publisher-1 would make the Third Payment. AVENATTI also falsely stated, in substance, that Publisher-1 was resisting making the Third Payment due to poor sales of Victim-1's book.

c. On or about November 30, 2018, Victim-1, in reference to the Third Payment, stated to AVENATTI, "let's not forget the publisher." AVENATTI did not state that he had previously received the Third Payment, but instead responded, in part, "I haven't."

d. On or about December 5, 2018, Victim-1 asked AVENATTI, "When is the publisher going to cough up my money?" AVENATTI did not state that he had previously received the Third Payment, but instead responded, "As for publisher - working them and threatening litigation. They need to pay you the money as you did your part and then some."

e. On or about December 27, 2018, Victim-1 stated to AVENATTI, in part, "I'm sending publisher a certified letter demanding payment and firing [Agent-1]. Then I may post

it online for fun." AVENATTI did not state that he had previously received the Third Payment, but instead spoke to Victim-1 by phone and told Victim-1, in substance and in part, that Victim-1 should not send a letter and should not fire Agent-1 because Victim-1 may need Agent-1's help in a lawsuit against Publisher-1 to recover the Third Payment.

26. In or around December 2018, Victim-1's manager, on Victim-1's behalf, sent an email to Publisher-1 and Agent-1 stating, in substance and in part, that Victim-1 had not received the Third Payment. Agent-1 then spoke to MICHAEL AVENATTI, the defendant, who told Agent-1, in substance and in part, that he (AVENATTI) was dealing with Victim-1 directly on this issue and Agent-1 and Publisher-1 (both of whom believed that Victim-1 had received the Third Payment and was seeking early payment of the Fourth Payment) should not respond. Agent-1, at AVENATTI's request, then relayed AVENATTI's message to Publisher-1. Victim-1 received no response from Agent-1 or Publisher-1 until in or about late February 2019, as described below.

27. During in or about January 2019 and February 2019, Victim-1 continued to ask MICHAEL AVENATTI, the defendant, by phone and by electronic message, about the status of the Third Payment, and AVENATTI responded, in substance and in part, that Publisher-1 was resisting making the payment due

to purportedly poor sales, but that he (AVENATTI) was working to resolve the conflict.

28. In or about late February 2019, Victim-1 made contact with a representative of Publisher-1, who told Victim-1, in substance and in part, that Publisher-1 had previously made the Third Payment to Agent-1. Victim-1 subsequently received from Agent-1 documentation indicating that Agent-1 had sent by wire Victim-1's share of the Third Payment (i.e., $148,750) to the Avenatti Client Account on or about September 17, 2018. Victim-1 also received from Agent-1 the False Wire Instructions.

29. Prior to receiving the False Wire Instructions from Agent-1 in or about February 2019, Victim-1 had never seen or signed the False Wire Instructions, despite the fact that the False Wire Instructions bore Victim-1's purported signature. Further, Victim-1 had never authorized the drafting or transmittal of the False Wire Instructions, had never authorized MICHAEL AVENATTI, the defendant, to receive or use any of the payments under the Contract, and was not aware of the Avenatti Client Account. Rather, the False Wire Instructions (including the use of Victim-1's signature) were fraudulently created by AVENATTI in order to carry out his scheme to steal funds rightfully owed to his client.

30. Victim-1 has not received any share of the Third Payment.[1]

COUNT ONE

(Wire Fraud)

The Grand Jury charges:

31. The allegations contained in paragraphs 1 through 30 above are hereby repeated, realleged, and incorporated by reference as if fully set forth herein.

32. From at least in or about July 2018, up to and including in or about 2019, in the Southern District of New York and elsewhere, MICHAEL AVENATTI, the defendant, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, did transmit and cause to be transmitted by means of wire and radio communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, AVENATTI devised a scheme to obtain payments owing to Victim-1 under Victim-1's book contract by falsely representing to Agent-1, in interstate communications and otherwise, that Victim-1 had given authority

[1] On or about February 14, 2019, prior to its due date under the Contract, Publisher-1 sent the Fourth Payment to Agent-1, who, consistent with Victim-1's instructions, sent by wire the Fourth Payment less Agent-1's fee directly to Account-2.

for payments to be sent by wire to an account controlled by AVENATTI, by converting those payments to his own use, and by falsely representing to Victim-1, in interstate communications and otherwise, that the payments had not been made.

(Title 18, United States Code, Sections 1343 and 2.)

COUNT TWO

(Aggravated Identity Theft)

The Grand Jury further charges:

33. The allegations contained in paragraphs 1 through 30 above are hereby repeated, realleged, and incorporated by reference as if fully set forth herein.

34. From at least in or about August 2018, up to and including at least in or about February 2019, in the Southern District of New York and elsewhere, MICHAEL AVENATTI, the defendant, knowingly did transfer, possess, and use, without lawful authority, a means of identification of another person, during and in relation to a felony violation enumerated in Title 18, United States Code, Section 1028A(c), to wit, AVENATTI, without lawful authority, used Victim-1's name and signature on the False Wire Instructions during and in relation to the offense charged in Count One of this Indictment.

(Title 18, United States Code, Sections 1028A(a)(1) and (b), and 2.)

FORFEITURE ALLEGATION

35. As the result of committing the offense charged in Count One of this Indictment, MICHAEL AVENATTI, the defendant, shall forfeit to the United States, pursuant to Title 18, United States, Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), any and all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of said offense, including but not limited to a sum of money in United States currency representing the amount of proceeds traceable to the commission of said offense.

Substitute Asset Provision

36. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

a. cannot be located upon the exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third person;

c. has been placed beyond the jurisdiction of the Court;

d. has been substantially diminished in value; or

e. has been commingled with other property that cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), and Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of said defendant up to the value of the above forfeitable property.

(Title 18, United States Code, Sections 981; Title 21, United States Code, Section 853(p); Title 28, United States Code, Section 2461.)

FOREPERSON

GEOFFREY S. BERMAN
United States Attorney

Form No. USA-33s-274 (Ed. 9-25-58)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

- v. -

MICHAEL AVENATTI,

Defendant.

INDICTMENT

19 Cr.

(18 U.S.C. §§ 1028A, 1343, and 2.)

GEOFFREY S. BERMAN
United States Attorney.

Foreperson

May 22, 2019
Filed Indictment. Case assigned to Judge Batts
U.S.M.J. Debra Freeman

DECLARATION OF SERVICE

by

U.S. FIRST-CLASS MAIL / U.S. CERTIFIED MAIL / OVERNIGHT DELIVERY / FACSIMILE-ELECTRONIC TRANSMISSION

CASE NUMBER(s): **OCTC Case No. 19-TE-16715**

I, the undersigned, am over the age of eighteen (18) years and not a party to the within action, whose business address and place of employment is the State Bar of California, 845 South Figueroa Street, Los Angeles, California 90017-2515, declare that:

- on the date shown below, I caused to be served a true copy of the within document described as follows:

APPLICATION FOR INVOLUNTARY INACTIVE ENROLLMENT; MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF GREGORY BARELA; DECLARATION OF STEVEN E. BLEDSOE; DECLARATION OF DAVID J. SHEIKH; DECLARATION OF JOY NUNLEY

☐ **By U.S. First-Class Mail: (CCP §§ 1013 and 1013(a))**

☒ **By U.S. Certified Mail: (CCP §§ 1013 and 1013(a))**

- in accordance with the practice of the State Bar of California for collection and processing of mail, I deposited or placed for collection and mailing in the City and County
- of Los Angeles.

☐ **By Overnight Delivery: (CCP §§ 1013(c) and 1013(d))**

- I am readily familiar with the State Bar of California's practice for collection and processing of correspondence for overnight delivery by the United Parcel Service ('UPS').

☐ **By Fax Transmission: (CCP §§ 1013(e) and 1013(f))**

Based on agreement of the parties to accept service by fax transmission, I faxed the documents to the persons at the fax numbers listed herein below. No error was reported by the fax machine that I used. The original record of the fax transmission is retained on file and available upon request.

☐ **By Electronic Service: (CCP § 1010.6)**

Based on a court order or an agreement of the parties to accept service by electronic transmission, I caused the documents to be sent to the person(s) at the electronic addresses listed herein below. I did not receive, within a reasonable time after the transmission, any electronic message or other indication that the transmission was unsuccessful.

☐ *(for U.S. First-Class Mail)* in a sealed envelope placed for collection and mailing at Los Angeles, addressed to: *(see below)*

☒ *(for Certified Mail)* in a sealed envelope placed for collection and mailing as certified mail, return receipt requested,
Article No.: **1) 9414-7266-9904-2111-0280-60** at Los Angeles, addressed to: *(see below)*
2) 9414-7266-9904-2111-0280-77

☐ *(for Overnight Delivery)* together with a copy of this declaration, in an envelope, or package designated by UPS,
Tracking No.: addressed to: *(see below)*

Person Served	Business-Residential Address	Fax Number	
1) Ellen Anne Pansky **PANSKY MARKLE, Attorneys at Law**	**1010 Sycamore Ave., Unit 308** **South Pasadena, CA 91030-6139** ***(via USPS Certified Mail*** ***Article No. 9414-7266-9904-2111-0280-60)***	**Electronic Address**	
2) Michael John Avenatti	**10000 Santa Monica Blvd.** **Los Angeles, CA 90067** ***(via USPS Certified Mail*** ***ArticleNo. 9414-7266-9904-2111-0280-77)***		

I am readily familiar with the State Bar of California's practice for collection and processing of correspondence for mailing with the United States Postal Service, and overnight delivery by the United Parcel Service ('UPS'). In the ordinary course of the State Bar of California's practice, correspondence collected and processed by the State Bar of California would be deposited with the United States Postal Service that same day, and for overnight delivery, deposited with delivery fees paid or provided for, with UPS that same day.

I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date on the envelope or package is more than one day after date of deposit for mailing contained in the affidavit.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed at Los Angeles, California, on the date shown below.

DATED: June 3, 2019

SIGNED: Kathi Palacios

Kathi Palacios
Declarant