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Attorneys for Defendant

INVESTORSHUB.COM, INC.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

KENNETH EADE,

Plaintiff,

v.

INVESTORSHUB.COM, INC., a

Florida corp., DOE 1, aka NO

DUMMY, DOE 2, aka JANICE

SHELL, DOE 3, aka FASTER183,

DOE 4, aka STOCK MAVIN, DOE 5,

aka RENEE, DOE 6, aka VIRTUAL

DREW, DOE 7, aka BOB 41, DOE 8

aka OVERACHIEVER, DOE 9, aka

DOBERMAN, and DOE 10,

Defendants.

Case No. CV11-01315 JAK (CWx)

**DEFENDANT INVESTORSHUB.COM,
INC.'S STATUS REPORT RE JUNE 22,
2012 DEBTOR EXAMINATION OF
KENNETH EADE; DECLARATION OF
CHRIS GOOD AND EXHIBITS 1-3**

Date: July 2, 2012

Time: 1:30 p.m.

Courtroom: 750

1 **I. INTRODUCTION**

2 Pursuant to the Court's March 26, 2012 Court Order, the Judgment Debtor
 3 examination of Kenneth Eade ("Eade") was conducted on June 21, 2012. Document
 4 requests were timely served on Eade in advance of his examination. (Declaration of
 5 Christopher B. Good "Good Decl." ¶2, Ex. 1. All exhibits referenced are exhibits to
 6 the Good Decl.) Eade produced an incomplete set of documents on the morning of
 7 June 21 at approximately 8:30 a.m. via electronic file transfer. The examination was
 8 not completed that day due to the fact that Eade failed to provide complete banking
 9 records, evidence of share transfers to his wife and documentation regarding his
 10 assets within the United States, including a 2002 Maserati he possesses. The parties
 11 have agreed to continue the examination after Eade provides further documentation
 12 regarding his assets in July 2012. (*Id.* ¶3). The Court ordered the parties to submit a
 13 status report regarding the various assets of Eade subsequent to the examination and
 14 by June 27, 2012. Defendant iHub hereby provides the Court with this report.

15 **II. EADE TRANSFERRED 10.5 MILLION SHARES OF IFLM TO HIS**
 16 **WIFE AND A CLIENT IN THE PAST FEW MONTHS**

17 As was identified in Defendant's Response to Plaintiff's Supplemental Brief,
 18 Eade was listed as the owner of 7,713,500 shares in Independent Film Development
 19 Corporation ("IFLM"). At the time of the response, the shares were valued at in
 20 excess of \$3,850,000.00. This amount was apparently inaccurate as it turns out that
 21 Eade was in possession of a greater number of shares. At the debtor examination,
 22 Eade claimed the stock had no value and he was unable to sell any of it. Despite the
 23 supposedly valueless nature of the stock, *Eade indicated that he had transferred, in*
 24 *the past few months, in excess of 10,000,000 shares to his wife for "personal*
 25 *reasons", the stock certificates being held in an unknown location in Russia.* Eade
 26 also identified a transfer to a "client" of approximately 500,000 shares as a "thank
 27 you." This transfer also occurred in the past few months. Eade now is in possession
 28 of about 600,000 shares of IFLM. (Good Decl. ¶4, Exhibit 2, pgs. 70-77, 127-133)

1 Thus, Eade transferred in excess of 94% of his ownership in the stock of IFLM
 2 *after* this Court ordered him in September 2011 to pay iHub \$49,000 in attorneys'
 3 fees in connection with his baseless SLAPP suit. The sale of even a small portion of
 4 that transferred stock would have easily provided funds sufficient to pay iHub the
 5 money owed it. While trading volume in IFLM stock is modest, there is some
 6 activity. Eade has identified that he has enough "free trading" stock in his possession
 7 to satisfy the judgment if the stock were sold. Defendants have requested further
 8 documentation regarding the gifting of the stock and efforts to sell the stock.

9 **III. EADE CLAIMS THE FRENCH PROPERTY WILL RESULT IN**
 10 **HUNDREDS OF THOUSANDS TO HIM, PERSONALLY, UPON SALE**

11 Kenneth Eade has identified "a half interest in an apartment in Beausoleil,
 12 France" that his ex-wife refuses to vacate and sell. (Dkt. No. 70 at 2, 7-8.) Eade
 13 claims the property has yet to be sold and the French Courts have yet to force through
 14 a sale. Eade provided a document which he claims identifies the outstanding balance
 15 owed to the bank for the property, €74,766.66. (Good Decl.¶4,5 and Exhibit 2, pp.
 16 82-87 and Exhibit 3). While Eade cannot state with specificity what the property
 17 could be sold for, he estimates it should sell for in excess of €400,000 to € 900,000.
 18 At a minimum, this would provide Eade with at least \$200,000.00 and maybe in
 19 excess of \$500,000.00 within the next 6 months. Defendants will follow up with
 20 questions regarding the sale of the property at the continued examination.

21 **IV. EADE IS CURRENTLY STORING A 2002 MASERATI AT HIS**
 22 **MOTHER'S HOUSE IN SIMI VALLEY**

23 Eade indicated his 2002 Maserati is stored at his mother's house in Simi
 24 Valley. According to Eade, the Maserati was discharged in bankruptcy and is
 25 rightfully the property of Citibank, but has yet to be foreclosed on. In spite of his
 26 claims of poverty and inability to pay, Eade will be driving his 2002 Maserati to the
 27 Court hearing on July 2, 2012. (Good Decl.¶4, Exhibit 2, pp. 105, 117, 211-213, 230)
 28

V. EADE WILL CEASE SPOUSAL SUPPORT PAYMENTS IN 2-3 MONTHS AND HAS STOPPED PAYING THE IRS IN AN EFFORT TO MAKE A LUMP SUM PAYMENT

Eade has confirmed in the examination that he will cease Spousal Support payments in September of 2012. By his own admission, this should free up \$3,000 per month to pay iHub. Further, Eade has indicated that he is in the process of a work-out with the IRS whereby he is hopeful to be able to pay a lump sum to clear the outstanding balance. This would free up an additional \$2,000+ per month in payments. (Good Decl. ¶4 and Exhibit 2, pp. 112, 207-213)

VI. DEFENDANTS ARE STILL AWAITING DOCUMENTS, INCLUDING THE BANK RECORDS FOR EADE'S PERSONAL ACCOUNT

Defendant's Response to Plaintiff's Supplemental Brief identified many other potential assets which would provide the funds necessary for immediate payment to iHub. This includes the whereabouts of the proceeds from the sale of the Gold Standard Mining Corp. Eade has yet to provide these documents which will further identify available assets from which Eade could pay iHub.

VII. CONCLUSION

It is Eade's burden to prove an inability to pay the \$49,000 Court Order, *see, e.g., F.T.C. v. Affordable Media*, 179 F.3d 1228, 1240-1241 (9th Cir. 1999). While paying lip service to claims of poverty, the actions of Eade, as supported by the documents and testimony provided, do not support such claims. Eade drives a Maserati, owns a property one block from the French-Monaco border, and has transferred in excess of 10.5 million shares he personally owned in the past few months. These are not the actions of an individual who cannot pay monetary sanctions. Taking into consideration the substantial payment he is due on the
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1 property in France, there is no reason Eade cannot satisfy the judgment. Eade clearly
2 is able to pay the \$49,000 this Court ordered him to pay. He just refuses to do so.

3 Dated: June 27, 2011
4

5 BOSTWICK & JASSY LLP

6 By /s/ Kevin L. Vick
7 KEVIN L. VICK

8 THOMAS & LOCICERO PL

9 By /s/ Deanna Shullman
10 DEANNA K. SHULLMAN
11 *Admitted pro hac vice*

12 FOWLER & GOOD LLP

13 By /s/ Christopher Good
14 CHRISTOPHER B. GOOD

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16 Attorneys for Defendant
17 InvestorsHub.com, Inc.
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DECLARATION OF CHRISTOPHER B. GOOD

I, Christopher Good, declare as follows:

1. I am an attorney admitted to practice before all state and the Central District Federal Court in the State of California. I am a partner of Fowler & Good LLP, and I am one of the lawyers responsible for representing Defendant InvestorsHub.com, Inc. ("iHub") in this action. The matters stated herein are true of my own personal knowledge.

2. A true and correct copy of the Notice of Examination of Kenneth Eade Pursuant to March 26, 2012 Court Order; Request for Production of Documents and Things is attached hereto as Exhibit 1 and incorporated herein by this reference.

3. Kenneth Eade produced an incomplete set of documents on the morning of June 21, 2012 at approximately 8:30 a.m. via electronic file transfer. The examination was not completed that day due to the fact that Mr. Eade failed to provide complete banking records, evidence of share transfers to his wife and documentation regarding his assets within the United States, including a 2002 Maserati he possesses. The parties have agreed to continue the examination after Eade provides further documentation regarding his assets. That production of documents and examination shall continue in the month of July 2012.

4. Attached as Exhibit 2 and incorporated herein by this reference is a true and correct copy of excerpts from the "rough" transcript from the June 21, 2012 examination of Mr. Eade.

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