UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

JAMES D. SILVER, solely in his capacity as Receiver
for NEXSTAR COMMUNICATIONS,
LLC; TMT EQUIPMENT COMPANY, LLC;
TMT MANAGEMENT GROUP, LLC;
POSA, LLC; POSA TMT, LLC; TELEVEST
COMMUNICATIONS, LLC;TELEVEST
GROUP, LLC; and SPIN DRIFT, LLC,

Plaintiff, Case No. 6:07-cv-01670-GAP-DAB

v.

PAUL A. HOFFMAN,

Defendants.
_______________________________________/

AFFIDAVIT OF LOUIS C. HAUG

1. I am over the age of eighteen and I have personal knowledge of the matters set forth below.

2. Between 2003 through at least 2005, I was an officer of Nexstar Communications, LLC ("Nexstar"), POSA LLC (POSA") and Televest Communications, LLC.

3. Beginning in or abut December, 2003, I became an officer of TMT Management Group, LLC.

4. By late 2003 or early 2004, I became Chief Financial Officer for the above entities.

5. During the existence of the venture, all investor sale packages were sent to and processed by me.

6. When the venture first began, sales were made through Nexstar and the investor would then lease back the terminal to Nexstar's sister entity, POSA.

7. Nexstar and POSA were both Maryland LLCs with their sole offices being located in Towson, Maryland.

8. In or about November 2003, the Maryland securities regulators issued a cease and desist order against Nexstar and Posa.

9. After the cease and desist order, all new sales were done through TMT Management Group, LLC and all new lease backs were done through POSA TMT LLC, both Delaware entities. Further, all future sales were made from Florida rather than Maryland, as had previously been the case.

10. Despite the use of Delaware entities for the sale and leaseback, the venture continued the same as before with the sale/leaseback of credit card terminals to investors and efforts to place those terminals with merchants. The management and employees remained the same. The terminals continued to be purchased from the same supplier. IRA Resources in California continued on as the IRA custodian that we used to facilitate the use of investors individual retirement account funds to purchase into the program. The only difference was that we had the investor packages sent to Orlando, Florida and processed in Orlando, and the non-IRA investors would send their checks to Orlando and the general procedure was to have those checks deposited in Orlando.

11. Prior to the Maryland cease and desist order: (a) sales to investors were made from Maryland and investors would deliver their packages to Maryland; and (b) the investors would send their monies to Maryland (the IRA investors had their monies wired to Maryland).

12. After the cease and desist order: (a) sales to investors were made from Florida; (b) investors sent their packages to Florida; (c) all non-IRA investor checks were sent to Florida; (d) non-IRA investor monies were deposited at a bank in Florida, and all investor packages were sent to Florida and processed in Florida, and returned to investors from Florida; and (e) the venture maintained an office in Florida with Ed Golodetz (EMG's Orlando office).

13. Both before and after the Maryland cease and desist order and the change over in

entities: (a) the terminals were purchased from and delivered to Orlando; (b) the placement program was overseen by Ed Golodetz from Orlando; (c) the terminal inventory was maintained at Ed Golodetz' EMG offices in Orlando; and (d) the entity's administrative offices were in Towson, Maryland.

14. I am unaware of any activity regarding the credit card terminal venture that took place in Delaware. There were no sales to investors from Delaware nor were any sales made to Delaware investors. There were no Delaware offices nor were there any operations in Delaware. The only connection to Delaware that I am aware of relates to the use of certain entities incorporated in Delaware.

15. Televest Communications, LLC was one of the owners of Nexstar and POSA. Televest Communications, LLC was comprised of various owners, including those related to Ed Digges, Paul Hoffman, and also a number of other individuals or entities who were not directly related to Digges or Hoffman.

16. I am unaware of there having been any bank accounts opened or maintained in Delaware.

17. Every time the venture entered into a sale/leaseback of the terminals, it would be obligated to pay the investors $50 per month for five years at which time the investor had the right to receive back the full $5,000 invested. In addition, under the various forms of lease agreements used throughout the venture, investors would have the right to the return of all or most of the money that they invested upon the happening of certain occurrences or after a certain period of time, after notice was given. We referred to these as redemptions.

18. Early in the venture and continuing through 2004 and 2005, a number of investors requested redemption of their terminals. Although some investors received their money back, many of these requests were never honored.

19. By November 2003, the ventures repurchase obligations to investors was approximately $6 million based on the sale/leaseback of 1250 terminals at issue in the Maryland cease and desist proceeding. Mr. Digges would sometimes refer to these terminals as the 1250. Monthly lease obligations on the 1250 totaled $67,500. By the end of the venture monthly lease obligations had grown to nearly $200,000 and the repurchase obligations brew to at least $17 million and may have been as high as $20 million.

20. I am aware that subsequent to the Maryland cease and desist order, the venture was negotiating with the Maryland regulators to offer investors rescission of the approximately $6 million in sales from the pre-Maryland cease and desist order phase of the venture.

21. The Maryland cease and desist order was not disclosed in the FTC Disclosure Statements provided to investors (the venture ceased providing FTC disclosure statements by the first part of 2004) nor in any of the offering materials provided to the brokers who sold to investors.

22. The venture's terminals never earned enough money to pay investor lease obligations. As I learned late in the venture, despite representations from Mr. Digges, the venture never maintained a reserve to cover lease payment obligations nor did it maintain reserves to cover the eventual repurchase of the terminals from investors. Mr. Digges had repeatedly represented to brokers (including at sales seminars in Orlando) that the entities were maintaining reserve funds sufficient to redeem the entire inventory of terminals at any point in time. He also repeatedly represented and asserted that there was a second reserve fund set up with sufficient funds to cover six months of aggregate lease payments. I learned late in the venture that the reserve funds did not exist. In approximately June or July 2005, I was repeatedly getting phone calls from brokers and investors complaining that they had not timely

received their lease payments. When I brought this to Mr. Digges' attention, he said that there was a systems failure that caused the problem. Subsequently, when the same issue arose again, Mr. Digges said that the New York office encountered a delay in releasing the funds to make the lease payments. I interpreted this to mean that this was Paul Hoffman's offices in New York. After becoming suspicious, I finally called the controller, Debbie Doll and asked her to tell me what's in the reserve accounts. Ms. Doll told me that she was not authorized to give me that information and that I was going to have to talk to Digges to receive that information. I then placed numerous phone calls to Digges and after approximately four days he gave me the excuse that he is working on replenishing the reserves. Later Digges sent out a memo suggesting that this was an opportunity to restructure and we should look at is in the context of a voluntary bankruptcy reorganization. I then told Digges that I was done, that I would work for a short period of time to wrap up my end in Orlando and that was it.

23. From early on in the venture it became apparent that the credit card terminals were not earning sufficient revenue to pay lease payments to investors or to reserve monies to satisfy the repurchase obligations. This was based on a combination of problems. First, the inability to place many of the terminals sold to investors. Second, the terminals that were placed with merchants were not earning enough revenue to satisfy lease obligations as to those terminals. The problems with placements and inadequate revenue plagued the venture through to its conclusion. Throughout the venture, the terminals that were placed were averaging revenue of no more than approximately $25 per month. This is only half of the amount necessary to make the monthly lease payment and does not take into account various operational expenses of the placement operation such as facilities fees and management fees. In addition, this leaves no money to cover the eventual repurchase obligations of $5,000.00 per terminal. The situation was

made worse by the fact that the majority of the terminals were not placed with merchants and thus, were generating no revenue. Those terminals simply remained in a room in EMG's offices in Orlando.

24. At no time during the venture did any investor purchase terminals without also leasing the terminals back to the affiliated leaseback entity for placement with merchants. In other words, no investor elected to attempt to place terminals directly with merchants. Rather, the venture was to do that for them.

FURTHER AFFIANT SAYETH NAUGHT.

Louis C. Haug

STATE OF MARYLAND }
} SS.:
COUNTY OF BALTIMORE }

The foregoing instrument was acknowledged before me this 11 day of September, 2008, by Louis C Haug, as ______ of ______ who is personally known to me or who has produced (type of identification) as identification and who did (did not) take an oath.

(SEAL)

JOSEPH W. MANDARA NOTARY PUBLIC BALTIMORE COUNTY, MD

(Signature of person taking acknowledgment)

Joseph W. Mandara
(Name of Officer taking Acknowledgment) [printed, typed or stamped]

Notary Exp 4/12/12
(Title or rank)

(Serial Number, if any)