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11  
12 UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

13  
14 FEDERAL TRADE COMMISSION,

15 Plaintiff,

16 v.

17 ALLIANCE DOCUMENT  
PREPARATION, LLC, also dba EZ Doc  
18 Preps, Grads Aid, and First Document  
Aid, *et.al.*,

19 Defendants.

Case No. 2:17-cv-07048 SJO (KSx)

**PRELIMINARY REPORT OF  
TEMPORARY RECEIVER**

JUDGE: Hon. S. James Otero  
CTRM: 10C

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1 practices, sanitize some script materials, implement slight prophylactic training and  
2 employee warnings, and cast themselves as an innocent document preparation  
3 agency. However, the bulk of the materials we found on site revealed that the sales  
4 practices were premised on deceit and misrepresentation and that the overriding  
5 objective was to enrich Defendants and the commission-based employees, not to  
6 relieve consumers from their student loan debt. Based on our initial review, any  
7 changes implemented in the days before our arrival did not eliminate deceptive  
8 practices or remove advance fees as a central component of the business. As noted  
9 below, upon our entry at least one Defendant and some employees took immediate  
10 efforts to delete records on their Telegram messaging service used for internal  
11 companies' communications.

12 Based upon our observations and investigation to date, we have suspended  
13 operations and will await further guidance from the Court.

## 14 II.

### 15 RECEIVERSHIP ACTIVITIES

#### 16 A. Immediate Access – 1435 S. La Cienega Blvd, Los Angeles, CA 17 90035

18 The TRO (Section XXI page 27) identifies one specific office location at  
19 1435 South La Cienega Blvd (1<sup>st</sup> and 2<sup>nd</sup> floors) in Los Angeles. We took control  
20 of that site commencing at 10:00 a.m. on Monday, October 2, 2017 with the initial  
21 support of uniformed officers from the Los Angeles Police Department. After  
22 securing the premises, we provided access to counsel for the FTC consistent with  
23 the TRO (Section XXI).

24 The offices have no identifying signage of any kind, exterior or interior,  
25 other than a non-descript “G” on the entrance door to the 1st floor space.

26 At entry, we encountered approximately 150 telemarketing personnel and  
27 managers, most (approximately 125 individuals) located on the 2nd floor and the  
28 remainder (approximately 25 individuals) in the smaller Suite G downstairs. We

1 instructed them to cease all operations and to step away from their computers and  
2 phones.

3 In Suite G on the 1st floor, the personnel were generally cooperative and 12  
4 of them completed a short questionnaire. After our brief presentation as to the role  
5 of the Receiver, they were excused.

6 Upstairs, we encountered overt obstruction and belligerence from several  
7 employees and, in general, very limited cooperation from the others. The majority  
8 of these employees promptly departed the premises, emboldened by the primary  
9 obstructionist who loudly yelled they had no legal obligation to remain or fill out  
10 the Court-ordered questionnaire. Only 11 employees on the 2nd floor completed  
11 the questionnaire. Notably, at least one employee was overheard telling other  
12 employees in the parking lot to “Burn Telegram” – i.e., delete the messaging  
13 system the employees used in the businesses for internal communications.<sup>3</sup>

14 None of the Individual Defendants were present at our arrival and did not  
15 appear thereafter. But, two defendants, Ben Naderi and Avi Rubeni, were aware of  
16 the FTC action and our presence. Neither has assisted or cooperated.

17 I personally spoke to Mr. Naderi over the telephone shortly after we arrived.  
18 I explained the existence to the FTC action, the appointment of a receiver, and the  
19 role of a receiver. I asked him to provide the administrative passwords for the  
20 cloud-based information system used by the operations (Google’s G Suite). He  
21 gave permission for an onsite employee to provide the passwords, but that  
22 employee claimed that Mr. Naderi, not the employee, would have the  
23 administrative level passwords. In a second call, Mr. Naderi claimed he could not  
24 remember the passwords.

25

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26 <sup>3</sup> We were informed by an FTC computer forensic employee who was at our  
27 immediate access that he recognized an M&T employee near our location. This  
28 M&T employee was onsite at the time of the immediate access in the M&T Case.  
He was observed in conversation with Defendants’ employees on the street adjacent  
to the offices.

1 We did not speak with Avi Rubeni after we entered the offices, but we were  
2 able to observe through the remnants of his instant messaging statements that he  
3 became aware of our presence shortly after we arrived. Rather than instruct his  
4 employees to cooperate with the receiver, Mr. Rubeni instead instructed his  
5 employees via Telegram instant messaging to destroy evidence. He first ordered  
6 the employees to “TERMINATE ALL ACTIVE SESSIONS” of the companies’  
7 Telegram messaging system and later to “LOG OFF UR TELEGRAMS.” (See  
8 Exhibit 2.) This had the practical effect of deleting these internal office  
9 communications permanently. See also Section II(F) *infra*.

10 The office space is leased at \$13,000 per month pursuant to a lease  
11 agreement between Defendant Alliance Document Preparation, LLC and the  
12 building owner who also holds a \$12,500 security deposit. Individual Defendants  
13 Benjamin Naderi and Avi Rubeni were signers to the lease on behalf of the tenant.  
14 Individual Defendant Shawn Gabbaie was also a signer of that lease as the tenant’s  
15 broker for the transaction.

16 In general, the office space is functional, not luxurious, with the usual  
17 trappings of a telemarketing “boiler room.” The furniture and equipment are  
18 roughly consistent throughout. The telemarketers operate from sales cubicles, each  
19 equipped with a computer, dual monitors, and a headset. Some workstations with  
20 3 monitors were apparently set up for managers. Of the Individual Defendants,  
21 only Avi Rubeni appears to have a designated office on site on the 2nd floor.

22 Suite G on the first floor is equipped with 27 workstations, all but two of  
23 which appear to be fully operational, and a small rear office.

24 The second floor is equipped to handle up to 125 telemarketers. It is  
25 configured as four basic rooms (some with small sub-rooms) which have  
26 individual entrances, but no doors or access limitations.

27 We retained a locksmith who changed the locks to both suites in order to  
28 ensure receivership control of the premises.

1 Exhibit 1 is a preliminary inventory and schematic of the office space at  
2 1435 S. La Cienega Boulevard.

3 We also took immediate steps to take control of identified commercial mail  
4 drops located at: P.O. Box 351054, Los Angeles, CA 90035; P.O. Box 691004,  
5 Los Angeles, CA 90069; and 369 S. Doheny Dr., PMB 1124, Beverly Hills, CA  
6 90211.

7 **B. Bank Accounts**

8 Immediately after receiving the TRO, the FTC and the Receiver served the  
9 asset freeze notice on banks and other financial institutions at which Defendants  
10 were known to have accounts. In the brief time since the TRO was entered, neither  
11 the FTC or the Receiver's office have received follow up information from these  
12 institutions.

13 **C. Documents/Information/Electronic Data**

14 Upon taking possession, we confirmed that the limited hard copy documents  
15 on site were secure. We retained a computer forensic firm to supervise the FTC's  
16 forensic team in making images of selected desktop computers.

17 The process of securing electronic data has been complicated by the fact that  
18 Defendants did not maintain electronic documents onsite through local file and  
19 mail servers, which would retain documents and email on individual CPUs and  
20 servers. Instead, Defendants extensively utilized cloud services for their  
21 communications and documents. Defendants appear to use Google's services for  
22 their email communications with consumers. Defendants also use Google Docs,  
23 Google Sheets, and Google Drive to store their documents online. Despite several  
24 requests to the Defendants, they have not provided the administrative user login  
25 information and passwords. Without this information, retrieving documents from  
26 Google will be extremely difficult.

27 Instead of relying on traditional email for internal communications,  
28 Defendants have used Telegram, which is a messaging application that works from

1 desktop computers and mobile devices. Unlike email, messages within Telegram  
2 generally cannot be retrieved by IT forensic professionals. Telegram messages can  
3 also be encrypted and set to self-destruct within seconds of being read. Telegram  
4 was loaded on all the desktop computers at the Defendants' offices and users were  
5 logged into various groups to allow them to communicate with each other. Based  
6 on our review of some remaining Telegram messages visible on several desktop  
7 computers, users were also logged into Telegram via their smartphones. For  
8 example, there were messages indicating that an employee would be late to work  
9 because he or she was stuck in traffic. Additionally, after the employees were  
10 escorted from the building, they left the Telegram group at the instruction of Avi  
11 Rubeni.<sup>4</sup>

#### 12 **D. Compliance with TRO**

13 We took immediate steps to insure compliance with the TRO by suspending  
14 sales activities, excusing the sales personnel present and changing the locks to  
15 prevent further access by the Individual Defendants or their employees.

#### 16 **E. Accounting**

17 At this early stage, we do not have a clear picture of the financial condition  
18 of the Receivership Defendants. Our computer forensic team was ultimately able  
19 to identify an onsite Quick Books accounting system which contains financial data  
20 as to some of the Receivership Defendants. We have identified accountants who  
21 have provided bookkeeping and tax preparation services in the past – we will  
22 follow up with them to secure relevant records. We have also located copies of  
23 some tax returns on individual computers onsite. We also have as a start point the  
24 forensic work of the SEC's forensic accountant Emil George (Declaration of Emil  
25

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26 <sup>4</sup> The ability to wipe information from computers was apparently very  
27 important to the Defendants. We observed an interesting electronic sticky task  
28 note on the computer screen of the employee identified as the IT person. He noted  
a "to do" item to determine the availability of software to wipe all the computers  
daily.

1 George, filed September 27, 2017, ECF No. 10 at PX37 pages 1377-1404), who  
2 concluded that Defendants had extracted more than \$20 million from consumers  
3 since mid-2015, before deduction for chargebacks and refunds.

4 We did locate a copy of Alliance Document Preparation LLC’s 2016 tax  
5 return on the computer of Avi Rubeni which reported 2016 gross receipts of  
6 \$7,109,461 and net income of \$3,178,547.

7 We have retained an experienced forensic accountant, Richard Winkler, to  
8 review all available financial records – he will provide his ultimate analysis and  
9 conclusions in a future report. Based on the limited information available to date,  
10 he has provided a very preliminary report which is attached as Exhibit 3.

11 **F. Cooperation**

12 To date, we have received no cooperation from any of the Individual  
13 Defendants – Benjamin Naderi; Shawn Gabbaie; Ramiar Reuveni; Avinadav  
14 Rubeni; Farzan Azinkhan; and Michael Ratliff. I did have a brief phone  
15 conversation with Mr. Naderi at about 10:30 a.m. on Monday in which I requested  
16 the Google administrative passwords, advised him of the asset freeze, and  
17 instructed him not to make any effort to access funds from any accounts. I have  
18 had no other contact with any other Individual Defendant and none have made any  
19 effort to appear at the offices.<sup>5</sup>

20 We did discover direct evidence of acts by Mr. Rubeni which appear to be  
21 direct violations of the TRO. On October 2, 2017 at 10:18 a.m., after we had  
22 commenced our immediate access, Avi Rubeni sent a message on Telegram  
23 reading: “LOG OFF UR TELEGRAMS” and at 10:25 a.m. a second message  
24 reading “TERMINATE ALL ACTIVE SESSIONS”. Our forensic team has  
25 advised that shortly after that numerous Telegram accounts were closed, causing a

26 \_\_\_\_\_  
27 <sup>5</sup> I spoke to counsel on Monday who indicated they “may” be coming in for  
28 Mr. Naderi. I spoke last night to counsel who will be appearing for Mr. Rubeni. I  
stressed to counsel in both calls the urgency of getting the administrative  
passwords.

1 loss of messages from those accounts. Erika Alta, the office administrator, gave  
2 staff a similar direction. Instead of using email for internal communications,  
3 Defendants used Telegram for internal communications. Messages on Telegram  
4 can be set to self-destruct. Unlike emails, our computer forensics professionals  
5 report that Telegram messages cannot be easily preserved or downloaded. We  
6 were only able to recover some remnants of the messages on Telegram by  
7 capturing individual computer screenshots.

8 **G. Notice to Consumers.**

9 We have posted a Notice to Consumers on the Receiver’s website at  
10 <http://regulatoryresolutions.com/> and will post regular updates on that website as  
11 the case progresses.

12 **III.**

13 **BUSINESS OPERATIONS**

14 In the few days since my appointment, we have not undertaken an audit of  
15 the FTC’s specific allegations, but we certainly found ample evidence onsite that  
16 the prohibited practices alleged by the FTC were occurring and, indeed, were  
17 ingrained in the business. It was almost immediately clear to me and my team that  
18 the mission of this business was to prey on consumers struggling with student debt  
19 – the sales team solicited and consumers paid unlawful advance fees based, for the  
20 most part, on deception and false promises as to the reduction or elimination of  
21 student loan payments.

22 Our preliminary review of hard copy documents and electronic data on site  
23 confirmed that these prohibited practices were prevalent.

24 Sell or Else

25 Like most boiler rooms, the real goal in this business was to sell, not to  
26 provide useful assistance to consumers buried by student loan debt. Examples of  
27 this “sell or else” mentality abounded:

28 ///

- 1 • White Boards in nearly every room tracked sales performance by  
2 telemarketer by day, week, and month. Many boards highlighted a  
3 variety of cash bonuses based on the number and dollar amount of  
4 actual closings. A Daily Bonus of “Lunch on the House” went to a  
5 telemarketer who closed 15 deals by noon. Telemarketers were  
6 exhorted to “ABC – Always Be Closing.” (*See Exhibit 4.*)
- 7 • Special bonuses were extended to BD Sales which were sales to  
8 students of specified for-profit colleges who were categorized as  
9 “Borrower Defense” situations. These BD sales offered the  
10 possibility of a double fee, one for the traditional student loan product  
11 and another for students of for-profit schools who may have a separate  
12 fraud claim, which could remove the debt altogether. Lists of BD  
13 schools were posted in multiple locations. (*See Exhibit 4.*)
- 14 • Commissions went as high as 25% depending on the sales amount.  
15 (*See Exhibit 5.*)

16 Advance Fees

17 The economic model of this business was based on and required the  
18 payment of advance fees. Defendants were vigilant in collecting these advance  
19 fees.

- 20 • Fee Schedules were prominently displayed in scripts and other  
21 materials throughout the offices, with the amount of the fee based on  
22 the balance of the student loans and full payment generally to be  
23 completed through three payments. (*See Exhibit 6.*)
- 24 • Scripts included expansive discussion of fees, including discounts for  
25 the “expedited option” of complete payment within 30 days. (*See*  
26 *Exhibit 7.*)

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1 not work for DOE or DOJ – she said that it was actually the second script she had  
2 received in the space of one week. The previous script had *not* contained the  
3 disclaimer. That disclaimer only appeared in the second script late last week.  
4 Thereafter, she said that employees were shown a third, even newer script on a  
5 projection during a training session that Saturday, but she had not received an  
6 actual copy of it.

7 **IV.**

8 **CAN THE BUSINESSES BE OPERATED**  
9 **LAWFULLY AND PROFITABLY?**

10 Section XI(S) (at page 21) of the TRO authorizes the Temporary Receiver to  
11 suspend business operations if, in his judgment, such operations cannot be  
12 continued legally and profitably. While the financial information in Section II.D  
13 *supra* suggests that these businesses may have been profitable in the past, to  
14 operate lawfully would require paradigm shifts in the sales techniques and the  
15 collection of fees.

16 To operate lawfully, Defendants would have to function without advance  
17 fees, and to only collect fees on successful student loan restructures consistent with  
18 the advance fee regulations of the Telemarketing Sales Rule. This alone would  
19 limit cash flow and require a completely different business model that would be  
20 doomed absent the availability of capital to finance the business until fees were  
21 collected properly.

22 Even if the advance fee hurdle could be overcome, a fully compliant  
23 business would be severely challenged. If sales efforts were fully compliant with  
24 full disclosures, no hyperbole, no hype, and no misinformation, that alone would  
25 slow sales dramatically and increase expenses for hiring, training, and supervision.

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**CERTIFICATE OF SERVICE**

I hereby certify that on October 4, 2017, I caused the foregoing to be electronically filed with the Clerk of the Court using the CM/ECF system, which will send notification of the filing to all participants in the case who are registered CM/ECF users.

/s/ Andrew W. Robertson  
Andrew W. Robertson