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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA
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11 FEDERAL TRADE COMMISSION,

12 Plaintiff,

13 v.

14 ALLIANCE DOCUMENT
PREPARATION, LLC; et al.,

15 Defendants, and

16 DIRECT CONSULTING SERVICE,
17 LLC; and CAPITAL DOC PREP, INC.,

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

RECEIVER'S FINAL REPORT

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

RECEIVER'S FINAL REPORT

I have completed my work as Receiver and the underlying civil case brought by the Federal Trade Commission ("FTC") has now been resolved as to all Defendants and Relief Defendants by the Permanent Injunctions and Final Orders entered August 7, 2018 (ECF Nos. 183, 185, 186), August 8, 2018 (ECF No. 184), August 30, 2018 (ECF Nos. 189, 190), September 5, 2018 (ECF No. 191), and October 25, 2018 (ECF No. 193).

The Permanent Injunction and Final Order entered August 7, 2018 (ECF No. 185) includes a provision for "Receivership Wrap Up and Termination" (Section IX), ordering, *inter alia*, that the Receiver endeavor to complete all duties and file a Final Report and Final Fee Application within 180 days and remit to the FTC any funds remaining after payment of approved fees and expenses.

Accordingly, I submit this Final Report and concurrently filed an Application for Discharge and Approval of the Final Fee Application.

I. FTC Action

The FTC commenced this action by filing its Complaint on September 27, 2017 (ECF No. 1). By Temporary Restraining Order ("TRO") entered September 28, 2017 (ECF No. 18), I was appointed Temporary Receiver of the Receivership Defendants.¹ That appointment was confirmed by three separate

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¹ Defined as both Corporate Defendants (Alliance Document Preparation, LLC, also dba EZ Doc Preps. Grads Aid, and First Document Aid; SBS Capital Group, Inc., also dba Grads United Discharge; SBB Holdings, LLC, also dba Allied Doc Prep and Post Grad Services; First Student Aid, LLC; United Legal Center, LLC, also dba Alumni Aid Assistance, Post Grad Aid, and United Legal Discharge; Elite Consulting Service, LLC, fka First Grad Aid, LLC, also dba First Grad Aid; Grads Doc Prep, LLC; Elite Doc Prep, LLC, also dba Premier Student Aid.) and Relief Defendants (Direct Consulting Service, LLC, and Capital Doc Prep, Inc.), "individually, collectively, or in any combination and their respective subsidiaries and affiliates, together with any company or entity owned or controlled by any named Defendant in this action that is engaged in conduct prohibited by" Section 1 of the TRO. TRO at 5-6.

1 preliminary injunctions (the “Preliminary Injunctions”), which extended to the
 2 same Receivership Defendants identified in the TRO.²

3 The FTC and Defendants ultimately reached a settlement and the underlying
 4 case has now been resolved. Permanent Injunctions and Final Orders (“Final
 5 Orders”) have been entered as follows:

- 6 1. Stipulation to Entry of Permanent Injunction and Final Order as to
 7 Defendant Michael Ratliff (ECF No. 183);
- 8 2. Stipulation to Entry of Permanent Injunction and Final Order as to
 9 Defendants Ramiar Reuveni and Grads Doc Prep, LLC (“Grads Doc
 10 Prep Order,” ECF No. 184);
- 11 3. Stipulation to Entry of Permanent Injunction and Final Order as to
 12 Defendants Avinadav Rubeni, United Legal Center, LLC, and United
 13 Legal Center, Inc. (“United Legal Order,” ECF No. 185);
- 14 4. Permanent Injunction and Final Order as to Defendant Farzan
 15 Azinkhan (ECF No. 186);
- 16 5. Default Judgment for Permanent Injunction and Final Order as to
 17 Defendant Elite Doc Prep, LLC (ECF No. 189);
- 18 6. Default Judgment for Permanent Injunction and Final Order as to
 19 Defendant Elite Consulting Service, LLC (ECF No. 190);
- 20 7. Permanent Injunction and Final Order as to Defendants Shawn
 21 Gabbaie and SBB Holdings, LLC (“SBB Holdings Order,” ECF
 22 No. 191); and

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 24 ² Preliminary Injunction and Other Equitable Relief as to SBB Holdings,
 25 LLC, and Shawn Gabbaie, filed October 24, 2017 (ECF No. 66); Preliminary
 26 Injunction and Other Equitable Relief as to United Legal Center, LLC; United
 27 Legal Center, Inc.; Grads Doc Prep, LLC; Avinadav Rubeni; and Ramiar Reuveni,
 28 filed October 24, 2017 (ECF No. 67); Amended Preliminary Injunction and Other
 Equitable Relief as to Alliance Document Preparation, LLC; SBS Capital Group,
 Inc.; First Student Aid, LLC; Elite Consulting Service, LLC; Elite Doc Prep, LLC;
 Direct Consulting Service, LLC; Capital Doc Prep, Inc.; and Benjamin Naderi,
 filed November 2, 2017 (ECF No. 95).

8. Permanent Injunction and Final Order as to Defendants Benjamin Naderi; Alliance Document Preparation, LLC; SBS Capital Group, Inc.; First Student Aid, LLC; and Relief Defendants Direct Consulting Group, LLC; and Capital Doc Prep, Inc. (“Alliance Order,” ECF No. 193).

II. Receivership Events and Accounting

In prior reports, fee applications, and motions to the Court, we have detailed our findings on Defendants’ student loan debt relief businesses and our efforts, on multiple fronts, to recover funds which could be available for consumer redress. For purposes of this Final Report, we provide a brief summary.

We filed a Preliminary Report on October 4, 2017 (ECF No. 24, “Preliminary Report”), which recounted our efforts to take possession and control over Defendants’ known Los Angeles business location; serve the asset freeze notice on banks and other financial institutions at which Defendants were known to have accounts; secure the physical documents and electronic data; suspend operations in compliance with the TRO; begin the process of preparing an accounting; and assess Defendants’ business operations. On October 27, 2017, we filed a Supplemental Preliminary Report (ECF No. 78, “Supplemental Preliminary Report”) that included a detailed summary of our findings, which reinforced the conclusion we had reached in our Preliminary Report – that Defendants’ business was premised on fraudulent sales tactics, and could not continue to operate lawfully and profitably.

After entry of the Preliminary Injunction, we coordinated the final move-out from the three leased premises we discovered Defendants operating from and returned possession to the three landlords; sorted, labeled, and removed all business records (hard copy records and hard drives) from the three sites for storage; prepared and filed a Status Report (ECF No. 153); coordinated with forensic accountant for calculation of consumer loss; communicated with

1 consumers; responded to requests from government agencies for information
2 and/or documents; and coordinated and cooperated with counsel for the FTC and
3 Defendants. These services were detailed in the First Interim Fee Application,
4 filed November 17, 2017 (ECF No. 106) and Second Interim Fee Application,
5 filed April 6, 2018 (ECF No. 154), both of which were approved by Orders
6 entered on May 10, 2018 (ECF Nos. 159, 160).

7 **A. Immediate Access**

8 Pursuant to Section XXI of the TRO, we took possession of Defendants'
9 business location, 1435 S. La Cienega Blvd, 1st and 2nd Floors, Los Angeles, CA
10 90035, which as described in detailed in the Preliminary Report became an
11 extended and complex undertaking.³ After securing the site, operations were
12 suspended based on the determination that these businesses could not be operated
13 lawfully and profitably going forward.

14 **B. Implementation of TRO**

15 After securing the premises, we suspended operations and conducted a
16 comprehensive review of the business and its finances.

17 We carefully reviewed all sales practices, primarily by an analysis of the
18 hard copy documents and electronic data as the Individual Defendants and
19 employees were largely uncooperative, as described in more detail in the
20 Receiver's Preliminary Report and Supplemental Preliminary Report. Our review,
21 even in the early stages, yielded ample evidence that the prohibited practices
22 alleged by the FTC were occurring and, indeed, were ingrained in the business.

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26 ³ As described in the Receiver's Supplemental Preliminary Report, we
27 ultimately identified two additional locations where Defendants were conducting
28 operations: one at 1080 South La Cienega Boulevard, Suite 310, Los Angeles, CA
90035, and one at 1575 Westwood Boulevard, Suite 303, Los Angeles, CA 90024.
Both of these locations were smaller than the main office at 1435 South La
Cienega Boulevard.

1 Our forensic accountant prepared a detailed summary of financial activity,
2 including historical sales and profitability, balance sheet, compensation and
3 transfers to the principals, accounts receivable, and other assets.

4 All of these activities were reported in our Preliminary Report and
5 Supplemental Preliminary Report.

6 **C. Implementation of Preliminary Injunction**

7 The Receiver's appointment was confirmed by three separate preliminary
8 injunctions (the "Preliminary Injunctions"), which extended to the same
9 Receivership Defendants identified in the TRO.⁴ Once the Court entered these
10 Preliminary Injunctions, the Receiver's focus shifted from identifying, locating,
11 and securing student debt relief operators to terminating their operations, vacating
12 their various office locations, and assembling any additional assets not already
13 frozen by the TRO. As detailed in the Receiver's Status Report (ECF No. 153), by
14 mid-November 2017, all three of Defendants' business locations were vacated and
15 returned to their respective landlords. The Receivership Defendants' business
16 records were transferred to storage. The hard drives from the computers (which
17 contained consumers' personal financial information) located at all three locations
18 were removed and also transferred to storage. A liquidator removed the furniture
19 and computer equipment (none of which had much value) from the sites at no cost
20 to the receivership.

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24 ⁴ Preliminary Injunction and Other Equitable Relief as to SBB Holdings,
25 LLC, and Shawn Gabbaie, filed October 24, 2017 (ECF No. 66); Preliminary
26 Injunction and Other Equitable Relief as to United Legal Center, LLC; United
27 Legal Center, Inc.; Grads Doc Prep, LLC; Avinadav Rubeni; and Ramiar Reuveni,
28 filed October 24, 2017 (ECF No. 67); Amended Preliminary Injunction and Other
Equitable Relief as to Alliance Document Preparation, LLC; SBS Capital Group,
Inc.; First Student Aid, LLC; Elite Consulting Service, LLC; Elite Doc Prep, LLC;
Direct Consulting Service, LLC; Capital Doc Prep, Inc.; and Benjamin Naderi,
filed November 2, 2017 (ECF No. 95).

1 **D. Contempt Proceedings**

2 As previously reported, Avinadav Rubeni withdrew \$95,000 from United
3 Legal Center, Inc.'s bank account after he had notice of the TRO. *See* ECF No. 78
4 at 11:11-12:2. Since Avinadav Rubeni refused to return \$95,000, on December 22,
5 2017, an *Ex Parte* Application for an Order to Show Cause Why Avinadav Rubeni
6 Should Not Be Held in Civil Contempt was filed. ECF No. 122. After full
7 briefing (ECF No. 123-126, 128), the Court heard the matter on January 9, 2018
8 and ordered an evidentiary hearing (ECF No. 130). Approximately a month after
9 the hearing, we received a cashier's check in the amount of \$95,000 and withdrew
10 the application to hold Avinadav Rubeni in contempt. ECF No. 147.

11 **E. Receivership Accounting**

12 Attached as Exhibit A is a Receipts and Disbursements Summary for the
13 receivership period of September 28, 2017 through January 25, 2019. It shows
14 aggregate receipts of \$1,137,700.12, less disbursements of \$263,411.66, for net
15 cash as of this Final Report of \$874,288.46.

16 The Receivership Wrap Up and Termination section provides that, upon the
17 Court's ruling on all pending motions for approval of fees and expenses, the
18 Receiver may withdraw all approved amounts and transfer the balance of the
19 account to the FTC.

20 Concurrently with this Final Report, I have filed a Final Fee Application for
21 the period of April 1, 2018 through January 25, 2019. If the invoices in this Final
22 Fee Application, which total \$13,567.11, are approved for payment in full, and the
23 requested reserve of \$5,000 is approved, net cash will be \$855,721.35, which will
24 be immediately disbursed to the FTC.

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1 **F. Discharge of the Receiver**

2 Contemporaneous with the Final Fee Application, I have also filed an
3 Application for Discharge, which requests discharge on the terms set forth in that
4 Application and the proposed Order submitted therewith.

5 Dated: January 25, 2019

Respectfully submitted,

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7 By: /s/ Thomas W. McNamara
8 Thomas W. McNamara,
9 Court-Appointed Receiver
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CERTIFICATE OF SERVICE

I hereby certify that on January 25, 2019, 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.

I further certify that I have caused the foregoing to be mailed by First Class Mail, postage paid, to the following non-CM/ECF participants:

Michael Ratliff
10950 Church Street, Apt. 1314
Rancho Cucamonga, CA 91730

/s/ Edward Chang
Edward Chang