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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 ELEGANT SOLUTIONS, INC., et al.,  
15 Defendants.

Case No. 8:19-cv-01333-JVS (KESx)

**RECEIVER’S FINAL REPORT  
AND APPLICATION FOR: (1)  
DISCHARGE OF RECEIVER;  
AND (2) APPROVAL OF FINAL  
FEE APPLICATION**

JUDGE: Hon. James V. Selna  
CTRM: 10C  
DATE: January 23, 2023  
TIME: 1:30 p.m.

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1 TO THE HONORABLE JAMES V. SELNA, UNITED STATES  
2 DISTRICT COURT JUDGE, AND TO ALL PARTIES AND THEIR  
3 ATTORNEYS OF RECORD:

4 PLEASE TAKE NOTICE that on January 23, 2023 at 1:30 p.m. in  
5 Courtroom 10C of the United States District Court for the Central District of  
6 California, located at 411 West 4th Street, Santa Ana, California, Thomas W.  
7 McNamara, as Court-appointed receiver (the “Receiver”), will present his Final  
8 Report and Application for Discharge and his Final Fee Application for the period  
9 through December 16, 2022.

10 **INTRODUCTION**

11 On July 8, 2019, the Federal Trade Commission (“FTC”) initiated this  
12 lawsuit against five entities (Elegant Solutions, Inc. d/b/a Federal Direct Group,  
13 Trend Capital Ltd. d/b/a Mission Hills Federal, Dark Island Industries, Inc. d/b/a  
14 Federal Direct Group, Heritage Asset Management, Inc. d/b/a National Secure  
15 Processing, and Tribune Management, Inc. d/b/a The Student Loan Group, the  
16 “Receivership Entities”) and three individuals (Mazen Radwan, Rima Radwan, and  
17 Dean Robbins, with a fourth, Labiba Radwan, added in the First Amended  
18 Complaint) (collectively, the “Individual Defendants,” and with the Receivership  
19 Entities, “Defendants”) operating a student loan debt relief business. The FTC  
20 alleged that Defendants defrauded consumers by making material  
21 misrepresentations about their services and charging advance fees in violation of  
22 the Telemarketing Sales Rule. Mr. McNamara was appointed as the temporary  
23 receiver the same day with the Court’s entry of a temporary restraining order. *See*  
24 ECF No. 23 (“TRO”). His appointment as Receiver was confirmed less than two  
25 weeks later with the entry of a stipulated preliminary injunction on July 17, 2019.  
26 *See* ECF No. 52 (“PI”).

27 The Receiver was given a number of duties under the PI including, but not  
28 limited to: (1) taking custody and control of the Receivership Entities’ Assets and

1 Documents, PI § XIII.B; (2) preserving the value of the Receivership Entities’  
2 Assets, PI § XIII.D; (3) preserving the Documents of the Receivership Entities,  
3 PI § XIII.E; (4) protecting the interests of consumers who transacted business with  
4 the Receivership Entities, PI § XIII.K; and (5) allowing representatives from both  
5 sides access to the Receivership Entities’ records, PI § XIII.Q.

6 In the course of performing his duties, the Receiver:

- 7 • Took custody and control of the Receivership Entities’ office and  
8 Assets, including both office equipment and furniture, as well as a  
9 number of custom cars and leased vehicles (PI § XIII.B);
- 10 • Worked to maximize the value of, and minimize the loss to, Assets of  
11 the receivership as defined in the PI (PI § XIII.D), including by the  
12 sale of vehicles and other items owned by the Receivership Entities;
- 13 • Preserved Defendants’ records, both hard copies and electronic data  
14 (PI § XIII.E);
- 15 • Protected consumers’ interests by ceasing collection of fees, notifying  
16 consumers of the FTC action, and advising consumers to contact their  
17 student loan servicers directly (PI § XIII.K); and
- 18 • Facilitated the parties’ access to the preserved records (PI § XIII.Q).

19 On July 6, 2020, the Court granted the FTC’s motion for summary  
20 judgment. *See* ECF No. 182; *see also* ECF Nos. 184 (Final Judgment), 191  
21 (Amended Final Judgment). Defendants appealed the Court’s order on July 29,  
22 2020. *See* ECF No. 192. Appellate proceedings were stayed on February 12,  
23 2021, pending the Supreme Court’s ruling in *AMG Capital Management, LLC v.*  
24 *Federal Trade Commission*. ECF No. 218. After *AMG Capital* was decided and  
25 the stay was lifted, the Ninth Circuit issued its appellate memorandum opinion on  
26 June 9, 2022. *See* ECF No. 227; *see also* ECF Nos. 228-29. On August 1, 2022,  
27 the appellate court mandate was issued. *See* ECF No. 232.

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1 On October 21, 2022, the FTC filed an *Ex Parte* Motion to Implement  
2 Appellate Decision and Mandate (ECF No. 235), which Defendants opposed. The  
3 Court denied the motion without prejudice to the filing of a noticed motion, which  
4 the FTC subsequently filed. *See* ECF No. 241. After the motion was fully briefed,  
5 the Court entered an Order Implementing Appellate Mandate and Modifying  
6 Amended Final Judgment (ECF No. 245), which struck the sentence, “Any money  
7 not used for such equitable relief is to be deposited to the U.S. Treasury as  
8 disgorgement,” from the Amended Final Order (ECF No. 191).

9 The only pending motion is the Receiver’s Motion for Order Authorizing  
10 Sale of Remaining Assets (ECF No. 246), specifically certain sports memorabilia  
11 taken from Defendants’ business premises.<sup>1</sup> The Individual Defendants have  
12 opposed the motion, while the FTC has filed a notice of non-opposition. The  
13 Receiver does not believe resolution of the motion should affect his discharge,  
14 given that the case is resolved as to all parties: if the motion is granted, the  
15 Receiver can sell the items during the final wrap-up of the case.

16 Having fulfilled his duties under the PI as described below, the Receiver  
17 now presents this Final Report, requests discharge from his duties, and seeks final  
18 payment of his fees and expenses.

## 19 **FINAL REPORT**

20 The significant events of this receivership are set out below.

### 21 **I. Immediate Access and Preliminary Report**

22 The Receiver was appointed as temporary receiver on July 8, 2019. Two  
23 days later, on July 10, 2019 at 10:30 a.m., the Receiver and his team took  
24 possession of 3 Studebaker, Irvine, California – the location of Defendants’  
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26 <sup>1</sup> Due to the pending motion, the Receiver’s counsel asked counsel for the FTC and  
27 the Individual Defendants whether or not they would oppose the Receiver’s  
28 application for discharge. Counsel for the FTC confirmed that the FTC had no  
objection. At the time of filing, counsel for the Individual Defendants had not  
responded.

1 business operations – as authorized by the TRO (Section XXIII, page 26).<sup>2</sup>  
2 Defendants were operating two business on the premises: their student loan  
3 business (through Trend Capital Ltd. d/b/a Mission Hills Federal, or “Mission  
4 Hills,” and Elegant Solutions, Inc. d/b/a Federal Direct Group, or “Federal Direct”)  
5 and RCC Motors, an unprofitable custom car business managed by Defendant  
6 Mazen Radwan.<sup>3</sup> RCC Motors had an office and warehouse downstairs; the rest of  
7 the two-story building was devoted to the student loan business.

8 After taking possession of and control over the site, the Receiver served  
9 asset freeze notices on banks and other financial institutions at which Defendants  
10 were known to have accounts, freezing approximately \$3.4 million in the  
11 aggregate. The Receiver also secured the physical documents (primarily paper  
12 customer files) located onsite. Despite the refusal of Defendant Dean Robbins to  
13 cooperate with the Receiver, the Receiver was able to secure the electronic data  
14 with the help of Defendants’ onsite IT employee. Once the site and assets were  
15 secure, the Receiver suspended operations in compliance with the TRO and began  
16 the process of assessing Defendants’ business operations. While summarized  
17 herein, the Receiver’s initial assessment of Defendants’ operations is fully set forth  
18 in the Preliminary Report filed with the Court. *See* ECF No. 54.

19 **A. Student Loan Business**

20 Defendant Rima Radwan (“Rima”) was in charge of the student loan  
21 business, with her sister Labiba Radwan (“Labiba”), handling day-to-day  
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23 <sup>2</sup> The Receiver’s access of the site on July 10, 2019, has been the subject of two  
24 Orders to Show Cause re: Contempt motions from Defendants. *See* ECF Nos. 104,  
25 116. The claims made by Defendants in both filings were baseless and false, and  
26 the Receiver rebutted them fully in both instances. *See* ECF Nos. 107, 119. (The  
27 FTC also opposed, *see* ECF Nos. 106, 118.) The Court denied both motions (ECF  
28 Nos. 109 and 120-21) and in the second Order imposed a requirement that defense  
counsel have a member of the bar review and approve future filings. *See* ECF No.  
121.

<sup>3</sup> The Receiver did not analyze whether or not the RCC Motors business could  
operate lawfully given that it was not profitable.

1 operations as COO. Defendant Robbins was in charge of information technology  
2 for the student loan business and ran Defendants’ CRM, which he created. As  
3 discussed below, Defendant Mazen Radwan (“Mazen”) spent most, if not all, of his  
4 time on the RCC Motors business.

5 Defendants’ student loan operation encompassed legacy Mission Hills  
6 accounts – customers obtained before January 2018 (for which Mission Hills  
7 continued to file annual recertifications). The operation also continued to sign up  
8 consumers as of January 2018 through the Federal Direct entity. Both Mission  
9 Hills and Federal Direct customers were charged substantial fees: \$979 per year  
10 for new customers (\$81.58 per month), and either \$612 (Mission Hills) or \$672  
11 (Federal Direct) per year for returning customers’ annual recertifications.<sup>4</sup>  
12 Consumers were routinely charged in advance for Defendants’ services in violation  
13 of the Telemarketing Sales Rule.<sup>5</sup>

14 Defendants’ ability to sign and retain customers depended largely on their  
15 manipulation of the federal student loan repayment system: by reporting that  
16 consumers were unemployed (in many cases even when the customer reported  
17 contrary information), Defendants were often able to secure either attractively low  
18 monthly payments or no payment at all – a “zero payment IBR” – for consumers.  
19 In the case of the latter, all the customer would be paying per month would be  
20 Defendants’ fees. Many consumers undoubtedly believed these monthly fee  
21 payments were going towards their student loans, at least in part.<sup>6</sup> In reality,

22

23 <sup>4</sup> The Services Agreement includes a boilerplate provision that the recertification  
24 process (and the fees therefor) will “automatically renew every year.”

25 <sup>5</sup> As discussed in the Receiver’s Preliminary Report, although Defendants had a  
26 bank account they called a “trust” account (presumably in an attempt to qualify for  
the escrow exception), neither the account nor Defendants’ use of it met the  
requirements for the escrow exception to the Telemarketing Sales Rule.

27 <sup>6</sup> When Defendants did make loan payments on behalf of consumers (something  
28 they did only intermittently), those payments would typically be haphazard and  
inconsistent.

1 however, the money did not go towards consumers' loans, which continued to  
2 accrue interest as the loan balances grew.

3 Because the Receiver determined that deceit was embedded in and intrinsic  
4 to Defendants' business model, he concluded in his Preliminary Report that the  
5 student loan business could not operate lawfully and profitably under his auspices.

#### 6 **B. RCC Motors**

7 Defendant Mazen Radwan was in charge of Radwan Classic Cars, a/k/a  
8 RCC Motors, the other business located onsite. RCC Motors was a classic car  
9 business launched in June 2017 as a d/b/a of Receivership Entity Dark Island  
10 Industries, Inc., owned in equal thirds by Rima, Mazen, and Robbins. *See* ECF  
11 No. 54 at 30-31. The RCC business had four components, each involving custom  
12 and classic cars: service; customization; consignment; and storage. *Id.* The  
13 Receiver was able to determine that RCC Motors was not a profitable business, as  
14 since its inception, it had *lost* just short of \$500,000. *Id.* at 32. Because it was  
15 obviously not a profitable business, the Receiver did not assess whether or not it  
16 was lawful. *Id.*

## 17 **II. Implementation of the PI**

18 Defendants stipulated to a preliminary injunction (the "PI") on July 17,  
19 2019, which the Court entered later that same day. *See* ECF Nos. 50, 52. With the  
20 entry of the PI, the Receiver's primary focus shifted to winding down the business,  
21 addressing outstanding issues, vacating the office and storage facilities, liquidating  
22 the Receivership Entities' assets (including office equipment and vehicles), and  
23 coordinating with the parties as needed.

#### 24 **A. Taking Custody and Control of the Receivership Entities' Assets** 25 **(PI § XIII.B)**

26 The Receiver took custody and control of the Receivership Entities' Assets  
27 on the day of his immediate access of the office space at 3 Studebaker. The  
28 Receiver's operations onsite that day are discussed in more detail above.

1           **B. Preserving the Value of the Receivership Entities' Assets**  
2                           **(PI § XIII.D)**

3           On August 14, 2019, the parties stipulated to an order authorizing the  
4 Receiver to liquidate or abandon Assets of the Receivership Entities located at  
5 3 Studebaker, sell or return certain leased vehicles, pay out the net proceeds of  
6 consigned vehicles sold before the entry of the TRO, and vacate 3 Studebaker. *See*  
7 ECF No. 57. The Court entered an order granting the stipulation later that same  
8 day. *See* ECF No. 58.

9                           1. Vacation of Receivership Site

10           Vacation of 3 Studebaker was a drawn-out process due to the presence of  
11 RCC Motors inventory, which was more difficult to warehouse and dispose of than  
12 the documents and basic office equipment (computers, desks, etc.) utilized by the  
13 student loan debt relief business. Office equipment and furniture with value were  
14 sold by an estate sale company engaged by the Receiver in mid-September 2019;  
15 assets which the Receiver could not profitably liquidate were abandoned. *See* ECF  
16 Nos. 57-58.

17           It took longer to dispose of, store, or return the RCC Motors inventory.  
18 Assets in the name(s) of Receivership Entities – including industrial fans,  
19 hydraulic lifts, and vehicle equipment – were sold, or alternative storage was found  
20 for them pending sale. *See* ECF No. 93. A number of vehicles leased by the  
21 Receivership Entities were returned to the leasing agencies upon the Receiver's  
22 determination that no equity existed in them. *See* ECF No. 58. The Receiver  
23 remitted the net proceeds to owners of consignment vehicles sold before the  
24 receivership by RCC Motors. *See* ECF No. 93. Most of the other vehicles were  
25 difficult to sell, as discussed in greater detail below. The Receiver was finally able  
26 to vacate 3 Studebaker on December 1, 2019 after ensuring that all business  
27 records (electronic and hard copy) were transferred to storage facilities under the  
28 Receiver's control.



1                   2.     Sale of Vehicles

2             Defendants ultimately stipulated to the Receiver’s sale of 16 vehicles.<sup>7</sup> Two  
3 of the vehicles were actually leased, and once the Receiver determined there was  
4 no equity in the vehicles, they were returned to the financing company. Three  
5 were in various states of disrepair at a third-party body shop, and after analyzing  
6 the cost to retrieve, restore, and sell the vehicles, the Receiver determined that it  
7 was not in the best interest of the receivership to expend further funds and released  
8 any claims to these vehicles. Ten vehicles were sold for a gross total of \$231,550,  
9 less commissions, transportation costs, fees, and other expenses, netting \$185,538  
10 for the Receivership Estate.<sup>8</sup>

11             **C.     Preserving and Facilitating Access to Defendants’ Records**  
12                   **(PI §§ XIII.E, XIII.Q)**

13             Before 3 Studebaker was vacated, the Receiver’s team removed and  
14 preserved both hard drives and business records. During the course of the  
15 receivership, the Receiver provided the parties access to various Receivership  
16 Entities’ business records, including providing Defendants and their counsel access  
17 to the storage facility where the Receivership Entities’ business records are stored.

18             **D.     Protecting Consumer Interests (PI § XIII.K)**

19             Soon after his appointment, the Receiver took steps to notify consumers of  
20 the FTC’s lawsuit. In order to inform consumers of the underlying action and the  
21 receivership, the Receiver provided notice to customers via email, responded to  
22 hundreds of customer inquiries, posted notices on the Receivership Entities’  
23 websites, and updated the telephone greetings for Receivership Entities’  
24 businesses.

25 \_\_\_\_\_  
26 <sup>7</sup> The vehicles and their disposal are described in greater detail in the Receiver’s  
First Interim Status Report. *See* ECF No. 93.

27 <sup>8</sup> The final vehicle, a van titled in Mazen Radwan’s name, but which Defendants  
28 had stipulated to sell, was ultimately abandoned. *See* ECF No. 183 at 2 (explaining  
rationale for abandonment).

1 **III. Receivership Accounting**

2 Attached as Exhibit 1 is a Receipts and Disbursements Summary for the  
3 receivership period through December 15, 2022. It shows aggregate receipts of  
4 \$3,786,391.87, less disbursements of \$538,313.49, for net cash as of this Final  
5 Report of \$3,248,078.38.

6 **APPLICATION FOR DISCHARGE AND**  
7 **APPROVAL OF FINAL FEE APPLICATION**

8 By the Final Fee Application, the Receiver seeks approval for the payment  
9 of fees and expenses for the 40-month period of August 15, 2019 through  
10 December 16, 2022 for the Receiver, the Receiver's staff, and attorneys retained by  
11 the Receiver. The bulk of these expenses were incurred prior to the entry of  
12 Summary Judgment in favor of the FTC in this case on July 24, 2020 (ECF  
13 No. 191); thereafter, the defendants pursued an appeal which was rejected on June  
14 9, 2022, and on November 18, 2022, this Court issued its Order Implementing  
15 Appellate Mandate and Modifying Amended Final Judgment (ECF No. 245). As  
16 such, the Application for Discharge is made on the grounds that the underlying  
17 case has now been resolved as to all Defendants, and the Receiver has completed  
18 his duties as defined in the TRO and the PI.<sup>9</sup>

19 The Final Fee Application is made pursuant to Sections XIII.F and XIX of  
20 the PI, which provide that the Receiver and all personnel hired by the Receiver are  
21 entitled to reasonable compensation and for the cost of actual out-of-pocket

22 \_\_\_\_\_  
23 <sup>9</sup> Recently, the Internal Revenue Service presented a claim that one of the  
24 Receivership Entities, Trend Capital Ltd, owes payroll taxes exceeding \$100,000  
25 for the year 2019. The Receiver's forensic accountant has carefully reviewed  
26 Trend Capital's tax returns and related records and did not find support for the  
27 IRS's claim. She believes the claim is the result of an estimated tax return  
28 prepared by the IRS rather than the actual returns filed by the Receiver. In a  
conversation of today's date, the IRS agent agreed that the claim does appear to be  
based on the estimated return rather than the actual return. The IRS agent  
indicated she would submit the proposed adjustment to the appropriate department,  
but it will likely take three months for the adjustment to be made. Based on this  
information, the Receiver believes no additional payroll taxes are owed by Trend  
Capital and the issue should not delay the motion for discharge. Nonetheless, he  
notes the development to alert the Court to the potential issue.

1 expenses to be paid from the Assets of the Receivership Entities, based upon  
2 periodic requests to the Court for payment. The Final Fee Application seeks  
3 approval to pay fees and expenses for services during the period August 15, 2019  
4 through December 16, 2022 (a 40-month period) as follows: \$90,599.50 fees and  
5 \$2,145.21 expenses to the Receiver and staff payable to TWM Receiverships, Inc.  
6 dba Regulatory Resolutions; and \$89,085.50 fees and \$2,120.32 expenses to  
7 Receiver’s counsel McNamara Smith LLP.

8 The Final Fee Application also seeks authorization to hold back \$15,000.00  
9 as a reserve for final administrative costs, *e.g.*, document and electronics storage  
10 costs, removal and destruction of computer hard drives, and document destruction  
11 costs, which may be expended without further order of the Court, and after 120  
12 days any unexpended funds from that reserve shall be disbursed to Plaintiff Federal  
13 Trade Commission. If the invoices in this Final Fee Application are approved for  
14 payment in full, and the requested reserve of \$15,000.00 is approved, net cash for  
15 immediate transfer to the FTC will be \$3,049,127.85.

16 The Application for Discharge is based upon the Final Report, the  
17 Declaration of Thomas W. McNamara, and the proposed Order filed  
18 simultaneously with this Application, the pleadings in this matter, and such other  
19 oral and documentary evidence that may be presented at or before the time of the  
20 hearing on the Application.

21 Dated: December 19, 2022

MCNAMARA SMITH LLP

22  
23 By: /s/ Cornelia J. B. Gordon  
Cornelia J. B. Gordon  
Attorneys for Receiver,  
Thomas W. McNamara

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**CERTIFICATE OF SERVICE**

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I hereby certify that on the 19th day of December, 2022, 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/ Cornelia J. B. Gordon  
Cornelia J. B. Gordon  
*Attorney for Receiver,*  
*Thomas W. McNamara*