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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA
10

11 Bureau of Consumer Financial Protection;
et al.,

12 Plaintiffs,

13 v.

14 Consumer Advocacy Center Inc., d/b/a
15 Premier Student Loan Center; et al.,

16 Defendants.
17

Case No. 8:19-cv-01998-MWF (KSx)

**RECEIVER’S INTERIM STATUS
REPORT**

JUDGE: Hon. Michael W. Fitzgerald
CTRM: 5A

18 Thomas W. McNamara, as Court-appointed receiver (“Receiver”), submits
19 this report of receivership activities for the period of November 1, 2019 to
20 November 30, 2020.

21 **I.**

22 **INTRODUCTION**

23 On October 21, 2019, this Court entered a Temporary Restraining Order
24 (“TRO,” ECF No. 24) and appointed Thomas W. McNamara as temporary receiver
25 for the of Receivership Defendants True Count Staffing Inc., d/b/a SL Account
26 Management (“True Count”) and Prime Consulting LLC, d/b/a Financial
27 Preparation Services (“Prime Consulting”). First Priority LLC (“First Priority”),
28 Horizon Consultants LLC (“Horizon”), and TAS 2019 LLC d/b/a Trusted Account

1 Services (“TAS”) were later determined to be Receivership Defendants by the
2 Receiver and included as Receivership Defendants in the Stipulated Preliminary
3 Injunction with Asset Freeze, Appointment of Receiver, and Other Equitable
4 Relief (“Preliminary Injunction,” ECF No. 103).¹ Defendant Consumer Advocacy
5 Center Inc., d/b/a Premier Student Loan Center (“CAC”), which is in bankruptcy,
6 is not a Receivership Defendant. Albert Kim, Kaine Wen, and Tuong Nguyen are
7 named Individual Defendants.

8 The Receiver filed his Preliminary Report (ECF No. 75) on November 1,
9 2019 which described in detail the initial implementation of the receivership,
10 summarized Defendants’ operations and finances, and documented the Receiver’s
11 conclusion that the Receivership Defendants’ businesses could not be operated
12 lawfully and profitably going forward. The Receiver’s appointment was
13 confirmed, and the temporary designation removed, by the Preliminary Injunction.

14 Since the entry of the Preliminary Injunction, the Receiver’s primary focus
15 has been on winding down the businesses, addressing outstanding issues, vacating
16 office spaces, liquidating receivership assets, and coordinating with the parties as
17 needed.

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23 ¹ Receivership Defendants are defined in the TRO to mean True Count and Prime
24 Consulting “and their successors, assigns, affiliates, or subsidiaries, and each of
25 them, by whatever names each may be known, provided that the Receiver has
reason to believe they are owned or controlled in whole or in part by any of the
Receivership Defendants.” See TRO, Definitions, pages 6-7.

26 On October 25, 2019, pursuant to Section XIII(T) of the TRO we gave notice to
27 the parties that First Priority LLC, Horizon Consultants LLC, and TAS 2019 LLC
28 d/b/a Trusted Account Services qualify as Receivership Defendants. No party has
challenged that determination and the entities were included as Receivership
Defendants in the Preliminary Injunction. Preliminary Injunction, Definitions,
pages 7-8.

1 II.

2 RECEIVERSHIP ACTIVITIES

3 A. Receivership Locations

4 Following his appointment, the Receiver took a number of immediate steps
5 to “[t]ake exclusive custody, control, and possession” of the Receivership
6 Defendants’ assets and documents as directed by the TRO. *See* TRO §§ XIII.B, C.
7 The Receiver took possession of three sites used by the Defendants for their
8 business operations: (1) 15261 Laguna Canyon Road, Suite 200, Irvine, California
9 (“Laguna”), (2) 173 Technology Drive, Suite 202, Irvine, California
10 (“Technology”), and (3) 8 Hughes Parkway, Suite 210, Irvine, California
11 (“Hughes”). After effecting immediate access at the sites, the Receiver dismissed
12 any onsite employees (once they were interviewed) and arranged for all exterior
13 locks to be changed at each of the three locations.² Once the sites were secure, the
14 Receiver provided access to counsel and other representatives of Plaintiff in
15 compliance with the TRO. *See id.* §§ XIII.S, XIV. The Receiver also ensured that
16 all business records at the receivership sites, including hard copy documents and
17 electronic materials (*i.e.*, hard drives, servers, etc.), were preserved, transferring
18 them to a secure storage site controlled by the Receiver. Electronic materials
19 stored offsite or in the cloud (*i.e.*, phone recordings, consumer data, etc.) were also
20 preserved. Leased equipment was returned to vendors.

21 After the Preliminary Injunction was entered, on January 9, 2020, the parties
22 stipulated to an order authorizing the Receiver to liquidate or abandon receivership
23 estate assets and vacate leased premises. *See* ECF No. 124. The Court entered the
24 order granting the stipulation the following day, on January 10, 2020. *See* ECF
25 No. 125. Professionals employed by the Receiver spoke with liquidation and
26 estate sale companies about removing and selling the assets which remained at

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28 ² Employees were later given an opportunity to return and collect personal belongings.

1 each of the three sites. The Receiver ultimately accepted an offer from a
2 liquidator, who took the electronics and furniture for \$29,000 and removed the
3 cubicles and any trash.³ The Receiver accepted this proposal. Once the spaces
4 were vacated, the Receiver returned the properties to the landlords: Technology
5 and Laguna on January 23, 2020, and Hughes on January 30, 2020.

6 **B. Consumer Notice**

7 The Receiver notified consumers of the underlying action and the
8 receivership by email soon after his appointment. Notices were also posted on the
9 Receivership Defendants' websites and the Receivership Defendants' telephone
10 greetings were updated. All notices provided information about the case and
11 instructed consumers to contact their student loan servicers immediately. From the
12 case's inception and up to the present, the Receiver has also responded to hundreds
13 of consumer inquiries by phone and email.

14 **C. Potential Litigation Against Third Parties**

15 The Receiver is actively investigating several individuals and companies that
16 profited from Defendants' fraudulent scheme at the expense of the Receivership
17 Defendants. In connection with the Receiver's investigation, counsel for the
18 Receiver has prepared and issued records subpoenas to multiple banks in order to
19 facilitate tracing. Additionally, the Receiver's forensic accountant has performed
20 cash flow analyses and reviewed bank statements collected at the receivership sites
21 and produced by banks in response to subpoenas.

22 The Receiver has also engaged in settlement discussions with multiple
23 parties. Settlement talks with a payment processor for Defendants, however, were
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25 ³ The situation was different for Technology. That site was actually subleased by
26 Defendant CAC from a neighboring company, Guaranteed Rate, Inc. After
27 reviewing the original lease between Guaranteed and Defendant CAC, the
28 Receiver determined that the cubicles were owned by Guaranteed Rate and not
CAC, and that the Receiver had no authority to remove them. Although
electronics and other fungible assets at Technology were sold to the liquidator, the
cubicles were left onsite.

1 serious enough that the parties attended mediation. Although no settlement was
2 reached, the lines of communication remain open. The Receiver also entered into a
3 tolling agreement with a lead provider used by Defendants in order to preserve
4 potential claims against the vendor. The Receiver will continue to update the
5 Court on these matters as they progress.

6 **III.**

7 **RECEIVERSHIP ACCOUNTING**

8 Attached as Exhibit A is a Receipts and Disbursements Summary for the
9 period ending November 30, 2020. During this time period, receipts were
10 \$8,877,453.10, primarily comprised of funds from accounts frozen under the
11 provisions of the TRO, the liquidation of assets, and the sale of Receivership
12 Defendants’ office furniture and equipment. Disbursements were \$1,850,492.33,
13 primarily comprised of Court-ordered payments to the Plaintiffs.⁴ The current
14 aggregate balance of the bank accounts is \$7,026,960.77.

15 Dated: December 1, 2020

By: /s/ Cornelia J. B. Gordon
Cornelia J. B. Gordon
Attorney for Receiver,
Thomas W. McNamara

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27 ⁴ See Stipulated Final Judgment and Order as to Defendants Prime Consulting
28 LLC and Horizon Consultants LLC (ECF No. 205), Section XVII, ¶¶ 78-79 and
Stipulated Final Judgment and Order as to Defendant Tuong Nguyen and Relief
Defendant TN Accounting Inc. (ECF No. 210), Section XVII, ¶ 85.

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CERTIFICATE OF SERVICE

I hereby certify that on the 1st day of December, 2020, 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