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8 UNITED STATES DISTRICT COURT  
9 CENTRAL DISTRICT OF CALIFORNIA  
10

11 FEDERAL TRADE COMMISSION,  
12 Plaintiff,

13 v.

14 AMERICAN FINANCIAL SUPPORT  
SERVICES INC., et al.,

15 Defendants,

16 MJ WEALTH SOLUTIONS, LLC,

17 Relief Defendant.  
18

Case No. 8:19-cv-02109-JWH (ADSx)

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

JUDGE: Hon. John W. Holcomb  
CTRM: 2  
DATE: May 6, 2022  
TIME: 9:00 a.m., Via Zoom Video

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22  
23 Thomas W. McNamara, as Receiver, by and through his undersigned  
24 counsel, hereby submits his Final Report and files this Application for: (1)  
25 Discharge of Receiver and (2) Approval of Final Fee Application, thereby seeking  
26 an Order from the Court discharging the Receiver and approving the invoices for  
27 fees and expenses of the Receiver and his counsel for the 18-month period of  
28 October 1, 2020 through March 31, 2022.

## INTRODUCTION

On November 4, 2019, the Federal Trade Commission (“FTC”) initiated this lawsuit against American Financial Support Services Inc., Arete Financial Group, Arete Financial Group LLC, CBC Conglomerate LLC, Diamond Choice Inc., J&L Enterprise LLC, La Casa Bonita Investments, Inc., US Financial Freedom Center, Inc., Carey G. Howe, Anna C. Howe, Shunmin “Mike” Hsu, Ruddy Palacios, Oliver Pomazi, and Jay Singh, with MJ Wealth Solutions, LLC named as a Relief Defendant. Allegations against Defendants included violations of Section 5 of the FTC Act and the Telemarketing Sales Rule. *See* ECF No. 1.

On the same day the Complaint was filed, the Court entered a Temporary Restraining Order (ECF No. 41, “TRO”) appointing Mr. McNamara as the temporary receiver over the Receivership Entities.<sup>1</sup> His appointment as Receiver for the Receivership Entities was confirmed on December 17, 2019 with the Court’s entry of the Order for Preliminary Injunction with Asset Freeze, Appointment of Receiver, and Other Equitable Relief (ECF No. 79, “PI”).

The Court has now entered Stipulated Orders for Permanent Injunction and Monetary Judgment against the Howe Defendants and Defendants Hsu, Palacios, and Pomazi (ECF No. 145, entered September 9, 2020); against Defendants Singh,

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<sup>1</sup> “Receivership Entities” is defined in the TRO to mean the Corporate Defendants (American Financial Support Services Inc.; Arete Financial Group, also d/b/a Arete Financial Freedom; Arete Financial Group LLC; CBC Conglomerate LLC, also d/b/a 1File.org; Diamond Choice Inc., also d/b/a Interest Rate Solutions; J&L Enterprise LLC, also d/b/a Premier Solutions Servicing; La Casa Bonita Investments, Inc., f/k/a La Casa Bonita Investments LLC, also d/b/a Education Loan Network, also d/b/a Edunet; US Financial Freedom Center, Inc.; and each of their subsidiaries, affiliates, successors, and assigns) and “any other entity that has conducted any business related to Defendants’ marketing and sale of Debt Relief Services, including receipt of Assets derived from any activity that is the subject of the Complaint in this matter, and that the Receiver determines is controlled or owned by any Defendant.” *See* TRO Definition K, page 6.

Pursuant to the procedure in TRO Section XII.U, the Receiver designated additional entities to be Receivership Entities based on his determination that they received Assets derived from Defendants’ student loan debt relief business and were controlled or owned by a Defendant. These included AZ Marketing and Management Group, Fusion Graphics, Quick Student Loan Solution, Summit Holding Group Inc., and FNZA Marketing, LLC, d/b/a Student Loan Pro.

1 American Financial Support Services Inc., and US Financial Freedom Center, Inc.  
2 (ECF No. 179, entered August 10, 2021); and against Defendants Arete Financial  
3 Group, Arete Financial Group LLC, CBC Conglomerate LLC, Diamond Choice  
4 Inc., J&L Enterprise LLC, La Casa Bonita Investments, Inc., and Relief Defendant  
5 MJ Wealth Solutions, LLC (ECF No. 215, entered as amended on March 31,  
6 2022). With the case resolved as to all parties, and having fulfilled his duties under  
7 the PI as described below, the Receiver now presents this Final Report, requests  
8 discharge from his duties, and seeks final payment of his fees and expenses.

9 **FINAL REPORT**

10 The Receiver was given a number of duties under the TRO and PI including,  
11 but not limited to:

- 12 • Taking exclusive custody and control of the Receivership Entities’  
13 assets and documents, PI §§ XII.B, XII.C;
- 14 • Preserving the value of the Receivership Entities’ assets, PI § XII.D;
- 15 • Securing each location from which the Receivership Entities operated  
16 their businesses, PI § XII.H;
- 17 • Protecting the interests of consumers who transacted business with the  
18 Receivership Entities, PI § XII.K;
- 19 • Providing both the FTC and Defendants access to the Receivership  
20 Entities’ premises and documents, PI §§ XII.Q, XII.R; and
- 21 • Suspending the Receivership Entities’ business operations if, in the  
22 Receiver’s judgment, they could not continue lawfully and profitably,  
23 PI § XII.T.

24 As described in greater detail below, and in line with his duties, the Receiver  
25 secured the sites that the Receivership Entities used for their business; examined  
26 business and financial records; prepared a preliminary report assessing whether the  
27 business could continue to operate lawfully and profitably, ultimately concluding

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1 that it could not; ensured that consumer payments to Defendants were suspended;  
2 and provided updates to consumers on the case on an ongoing basis.

### 3 **I. Immediate Access**

4 At the time of the Receiver's appointment on November 4, 2019, the  
5 Receivership Entities were operating their business from four locations in  
6 California: (1) 1261 East Dyer Road, Suites 100, 200, and 250, Santa Ana ("Dyer  
7 Road"); (2) 5772 Bolsa Avenue, Suite 220, Huntington Beach ("Bolsa Avenue");  
8 (3) 18001 Sky Park Circle Suites L-M, Irvine ("Sky Park"); and (4) 500 Ygnacio  
9 Valley Road, Suite 430, Walnut Creek ("Walnut Creek"). On November 6, 2019,  
10 the Receiver and his team, with the support of local law enforcement officers,  
11 gained access to and secured each site. Once the sites and assets were secure, the  
12 Receiver suspended operations in compliance with the TRO and began the process  
13 of assessing Defendants' business operations.

14 As the Receiver discovered, each of the four sites was dedicated to a specific  
15 part of Defendants' businesses.

#### 16 **A. Dyer Road: Debt Settlement and Legacy Student Loan** 17 **Operations**

18 The Dyer Road location was the center of Defendants' business operations.  
19 At the time of the Receiver's entry, four of the six Individual Defendants –  
20 Defendants Hsu, Palacios, Carey Howe, and Pomazi (a/k/a "Loc Phu") – were  
21 present, though Pomazi was able to covertly leave the premises before the Receiver  
22 and his team could speak to him. These four, along with non-party Syed Gilani<sup>2</sup>  
23 ("Gilani"), were equal co-owners of Arete.<sup>3</sup> The other two Individual Defendants,

24 \_\_\_\_\_  
25 <sup>2</sup> Gilani was never added as a defendant in the instant action. In 2021, the  
26 Consumer Finance Protection Bureau sued Gilani for his role in the student loan  
27 debt relief business. *See CFPB v. Noh, et al.*, No. 8:21-cv-00488-JWH-ADS (C.D.  
Cal.). As reflected in the accompanying fee application, the Receiver has  
responded to requests from the CFPB, including producing Student Loan Pro  
records to the agency.

28 <sup>3</sup> Except for Hsu, all the owners held their interests in the names of third-party  
fronts: Palacios through Defendant Diamond Choice Inc., Howe through a relative

1 Anna Howe and Singh, were not present at the Dyer Road site; as the Receiver  
2 later learned, Anna Howe's primary office (which had previously been located at  
3 the Dyer Road site) had been moved to the Bolsa Avenue location and Singh was  
4 based out of the Walnut Creek office, though neither was present at these locations  
5 at the time of the Receiver's immediate access.

6 After arriving at the Dyer Road location, the Receiver spoke to Palacios,  
7 Howe, and Hsu. All three claimed that Arete had stopped new enrollments for  
8 student loan debt relief services in roughly July of 2019, with one exception: Arete  
9 was continuing to charge monthly recertification fees for existing student loan debt  
10 relief customers, which they conceded were unlawful advance fees. Some of the  
11 recertification processing was run out of Suite 250 at the Dyer Road site by  
12 Defendant J&L Enterprise LLC (d/b/a Premier Solutions Servicing, or "Premier"),  
13 which was controlled by Defendant Pomazi (Phu).

14 Palacios, Howe, and Hsu proceeded to tell the Receiver that Arete had since  
15 changed course to focus entirely on its consumer debt settlement business, which  
16 Defendants had been operating alongside the student loan debt relief business at  
17 the Dyer Road site since 2017. In the initial days of his investigation, the Receiver  
18 was able to confirm that throughout the summer of 2019, Defendants made a  
19 deliberate push to separate Arete from the student loan debt relief business by  
20 funneling any new student loan debt relief customers to 1File or Student Loan Pro.  
21 Recertifications were rerouted to Premier.

22 By July 2019, student loan activity did appear to be primarily limited to  
23 recertifications for existing customers. That said, the purported "wind down" was

24 \_\_\_\_\_  
25 named Caroline Howe, Gilani through Judith Noh (whose relationship to Gilani  
26 remains unclear to this day), and Pomazi (*i.e.*, Loc Phu) through his Oliver Pomazi  
27 alias. *See* ECF No. 57-1 at 3. Items found on site confirmed that these five  
28 individuals were in control of Arete: each of the five operated from an exterior  
office at the Dyer Road location, there was a large poster photograph of the five  
owners dressed in Dodgers jerseys on one wall, and the five owners shared a chat  
group on WhatsApp and a five-way email distribution group labeled "Arete  
Management." *See id.* at 3-4.

1 not comprehensive. As discussed in greater detail in Part II.C below, Arete was  
2 part of a common enterprise run by Defendants, and a number of companies within  
3 that enterprise (1File, Student Loan Pro, and Defendants American Financial  
4 Support Services Inc. (“AFSS”) and US Financial Freedom Center, Inc.  
5 (“USFFC”)) were still enrolling new student loan debt relief customers separate  
6 and apart from the recertifications that Premier was processing.

7 **B. Bolsa Avenue: Processing by Defendant 1File for Student Loan**  
8 **Debt Relief Customers of Defendants AFSS and USFFC**

9 1File.org (“1File”) was a d/b/a of Defendant CBC Conglomerate LLC,  
10 which was owned by Defendant Carey Howe. 1File was based out of the Bolsa  
11 Avenue location, where it processed student loan debt relief applications.  
12 Although signage identified the tenant of the Bolsa Avenue location as “Arete  
13 Financial,” the materials inside made it clear that 1File was the primary business  
14 operating out of the site. 1File’s floor manager was present at the time of the  
15 initial entry, but neither of his two managers – one of whom was Defendant Anna  
16 Howe – was present when the Receiver’s team arrived. The employees on-site at  
17 the time of the initial entry all said they worked for Defendant La Casa Bonita or  
18 1File, and the processors reported that they were paid by 1File.

19 As the Receiver came to learn, 1File processed student loan debt relief  
20 services for customers who were sent to it by Arete, AFSS, or USFFC, the latter  
21 two of which were owned by Defendant Singh. AFSS/USFFC would collect  
22 consumers’ information as part of the sales process and then transmit that  
23 information to 1File, where processors would use the login and financial  
24 information obtained by the AFSS/USFFC sales team to apply for student loan  
25 adjustments on behalf of consumers through the federal government’s  
26 studentloans.gov website. The processors and the AFSS/USFFC sales team shared  
27 the responsibility of responding to customer questions and complaints. The  
28 materials found on-site confirmed that 1File, like the rest of the Arete-adjacent

1 entities, was charging unlawful advance fees and routinely making  
2 misrepresentations to customers about, *e.g.*, the use of a third-party escrow service.

3 **C. Sky Park: Syed Gilani's Student Loan Debt Relief Business**

4 The only one of the five owners of Arete not named as a defendant was  
5 Gilani. In addition to having an office at the Dyer Road Location, Gilani ran his  
6 own student loan debt relief business through Receivership Entity FNZA  
7 Marketing, LLC, d/b/a Student Loan Pro ("Student Loan Pro")<sup>4</sup> at the Sky Park  
8 location. Although building signage identified Premier Solutions Servicing as the  
9 tenant, only Student Loan Pro operations were based out of the Sky Park location.

10 Student Loan Pro ran a smaller student loan debt relief business than Arete,  
11 with only about 2,300 customers, and it handled its own sales and processing. The  
12 business premises were in substantially greater disrepair than the other offices and  
13 the operations overall were less professional. The Student Loan Pro employees  
14 understood that leads were generated by radio ads, but they had no real visibility  
15 into the overall marketing program or larger business model. The in-house sales  
16 team mostly responded to inbound consumer calls, only initiating outbound calls  
17 when provided with specific consumers' names and contact information. The  
18 Receiver's investigation confirmed that the sales agents made a number of  
19 misrepresentations and deceptive statements to consumers in the course of their  
20 pitches, similar to those made by other Arete-adjacent entities. Student Loan Pro  
21 likewise charged advance fees.<sup>5</sup>

22 **D. Walnut Creek: AFSS and USFFC Sales Team**

23 Defendant Singh and his two companies, AFSS and USFFC, were based out  
24 of the Walnut Creek location, but the primary physical operations at the site were

25 \_\_\_\_\_  
26 <sup>4</sup> While Student Loan Pro was not included as a Receivership Entity in the TRO,  
27 the Receiver designated it as one pursuant to the procedure in TRO Section XII.U.  
28 See ECF No. 57-1 at 1 n.1.

<sup>5</sup> The fees generally included \$695 upfront (broken into three monthly payments of \$231.67) and a recurring monthly charge of \$39.

1 those of a separate, unrelated company, National Consumer Law Group. Rather  
 2 than running AFFS and USFFC’s sales operation from the Walnut Creek offices,  
 3 Singh contracted with offshore Indian call rooms to secure customers for student  
 4 loan debt relief. As noted above, once the customers were secured, they would be  
 5 referred to 1File for processing. Singh was not present at the time of the  
 6 Receiver’s initial entry; the employees who were present stated they were  
 7 employed by National Consumer Law Group.

## 8 **II. The Receiver’s Investigation of Defendants’ Business**

### 9 **A. Defendants’ Student Loan Debt Relief Business**

10 In the first few days of his investigation, the Receiver was able to confirm  
 11 many of the issues raised by the FTC in its complaint – most notably, that  
 12 Defendants were charging unlawful advance fees and were employing misleading  
 13 and deceptive sales practices.

#### 14 1. Unlawful Advance Fees

15 The Receiver determined that Defendants were collecting an upfront fee  
 16 (often paid in three installments) and a recurring monthly recertification service fee  
 17 for the annual application required by most repayment plans. Although the initial  
 18 upfront fee varied depending on which of the entities in the common enterprise  
 19 was involved, the fee structure was the same. Fees were collected well before  
 20 Defendants had completed the necessary work (*i.e.*, approval of the new repayment  
 21 plan) or the customer had made a first payment on a new renegotiated plan, making  
 22 them unlawful and prohibited by the Telemarketing Sales Rule (16 C.F.R. § 310,  
 23 “TSR”).<sup>6</sup> An “escrow exception” to the rule exists, but Defendants did not employ  
 24 any escrow or trust accounts for student loan debt relief customers – even though

25 ///

26 \_\_\_\_\_  
 27 <sup>6</sup> The rule prohibits requesting or receiving payment of any fee unless and until (a)  
 28 the telemarketer has settled at least one debt pursuant to an agreement executed by  
 the customer, and (b) the customer has made at least one payment pursuant to that  
 agreement.



1 Defendants falsely told customers that they were using such third party trust  
2 accounts to hold the customers' funds.

3           2.     Deceptive Sales Practices

4           Defendants used a number of tactics to convince consumers to sign up for  
5 their services. They routinely misled consumers into believing that Defendants  
6 were affiliated with the Department of Education and would work in tandem with  
7 their loan servicer to consolidate their student loans and reduce their monthly  
8 payments, and as a result, consumers thought that the \$39 monthly fee they were  
9 paying to Defendants was being applied to their student loans and that after a  
10 specified amount of time had passed (anywhere from 10-20 years), the remainder  
11 of their loans would be forgiven. When consumers contacted their student loan  
12 servicers directly, they discovered that no payments had been applied to their loans  
13 and, in some cases, their loans had been placed in deferment or forbearance  
14 without their knowledge. Sales staff also regularly misrepresented consumers'  
15 family size numbers in completing paperwork for federal student loan forgiveness  
16 programs. By inflating the family size numbers, Defendants could qualify  
17 consumers who would not otherwise qualify for a \$0 monthly student loan  
18 payment.

19           As a result of these findings, the Receiver concluded that Defendants'  
20 student loan debt relief business could not be operated lawfully and profitably.  
21 Pursuant to the TRO, Section XII.T, the Receiver suspended the student loan debt  
22 relief operations at each site based on this determination.

23           **B. Defendants' Unsecured Consumer Debt Settlement Business**

24           Defendants' business extended beyond their student loan debt relief  
25 operations, however. Defendants also operated a consumer debt settlement  
26 business through Defendant Arete Financial. Arete promised to help customers  
27 settle unsecured debts on their behalf, and the customers agreed to pay Arete a  
28 percentage of their unsecured debt in exchange for Arete's services. Arete worked

1 with Debt Pay Gateway, Inc. (“DPG”), a third-party account management  
2 company, to receive, hold, and disburse funds on behalf of Arete’s customers.  
3 Customers who signed up for Arete’s service would enter into their own, separate  
4 agreements with DPG, establishing DPG accounts in which they deposited funds to  
5 be disbursed to creditors in accordance with debt settlement plans that Arete  
6 negotiated on their behalf.

7 As the Receiver discovered during his initial entry, Arete’s active operations  
8 at the Dyer Road site in Santa Ana had shifted to become principally, but not  
9 exclusively, Arete’s consumer debt settlement business. Without passing on the  
10 legality of Defendants’ debt settlement business, the Receiver concluded early on  
11 that his authority as Receiver did not extend beyond the student loan debt relief  
12 business to the consumer debt settlement business. *See* ECF No. 57-1 at 22-23.  
13 The Receiver simultaneously concluded that nothing in the TRO prevented  
14 Defendants from continuing to operate their consumer debt settlement business.  
15 *See id.* at 23-24. Because Defendants operated a common enterprise and their debt  
16 settlement business was not completely cordoned off from their student loan debt  
17 relief business,<sup>7</sup> however, the Receiver could not (and would not) turn over assets  
18 to Defendants where it was unclear whether those assets were purchased with  
19 funds belonging to the student loan debt relief business, or whether those assets  
20 belonged solely to Defendants’ consumer debt settlement business.

### 21 C. Defendants’ Common Enterprise

22 The Receiver’s investigation also uncovered interrelationships between  
23 Defendants’ two business ventures – the student loan debt relief and debt  
24 settlement businesses – which led him to conclude that Defendants operated the  
25 businesses as a common enterprise. Links between the various Receivership  
26 Entities included the companies’ common ownership, the companies’ shared

27 \_\_\_\_\_  
28 <sup>7</sup> As just one example, Arete collected roughly \$2,447,000 in student loan fees  
after it supposedly exited the student loan business in April 2019.

1 business (*i.e.*, after Arete’s “pivot” away from the student loan debt relief business  
2 in the summer of 2019, new student loan applications were sent to either 1File or  
3 Student Loan Pro and Arete transferred recertifications of its legacy student loans  
4 to Premier), the companies’ shared assets (*e.g.*, Arete would issue refunds for 1File  
5 customers and Student Loan Pro was funded in part by Arete), and the companies’  
6 use of the same or similar agreements and sales tactics. The Receiver’s conclusion  
7 that the Receivership Entities were part of one common enterprise informed his  
8 decision-making later on, including his decision to ask the Court’s approval to sell  
9 Arete’s separate debt settlement business as discussed below.

10 **III. Implementation of the Preliminary Injunction**

11 On December 17, 2019, the Court entered the PI, confirming Mr.  
12 McNamara’s appointing as permanent receiver and his duties and authorities as  
13 previously outlined in the TRO.

14 **A. Disposition of Receivership Estate Assets**

15 Unfortunately, the Receiver’s investigation determined early on that there  
16 were little to no hard assets for the Receiver to marshal and liquidate. While the  
17 Receiver identified a number of luxury vehicles on-site at the time of his initial  
18 entry, all were found to be leased in the name of, as opposed to owned by, the  
19 Receivership Entities. The only other potential asset was the personal property –  
20 chiefly office supplies and equipment – that the Receiver found at the various  
21 locations from which Defendants operated, but the Receiver knew from experience  
22 that these items would likely have minimal resale value. Accordingly, on  
23 December 23, 2019, the Receiver filed an *ex parte* application to liquidate  
24 Receivership Estate assets, abandon Receivership assets that could not be  
25 profitably liquidated, vacate the leased premises, and return the leased vehicles to  
26 their respective lessors. ECF No. 83. The Court entered an Order granting the *ex*  
27 *parte* application on December 30, 2019 (ECF No. 90), after which the Receiver  
28 had any remaining records, computers, and other electronics at each of the sites

1 removed to a secure storage area and located a liquidator who was willing to  
2 purchase the office furniture and equipment for \$5,000. Once the liquidator took  
3 possession of the property that remained on-site, the Receiver returned all business  
4 premises to their respective landlords.

5 **B. Proposed Sale of the Consumer Debt Settlement Business and**  
6 **Return of Its Operations to the Individual Defendants**

7 Having determined that his authority as Receiver did not extend to  
8 Defendants' consumer debt settlement business (as reported in his Preliminary  
9 Report, ECF No. 57), the Receiver still had to decide what to do with Defendants'  
10 debt settlement business. After carefully considering a number of factors,  
11 including the way in which Defendants ran their student loan debt relief and debt  
12 settlement businesses as a common enterprise; the broad definition of Arete's  
13 "Assets" in the PI and TRO; and the Court's prior rejection of Defendants'  
14 argument that the debt settlement business assets should not be frozen because  
15 Defendants were potentially subject to joint and several liability (*see* ECF No. 75  
16 at 17), the Receiver determined that the debt settlement business was an asset of  
17 Arete and the Receivership. He then had to decide how best to preserve its value.  
18 *See* ECF No. 95-1 at 2-3.

19 Ultimately, the Receiver concluded that the business needed to be sold or it  
20 would depreciate in value. The potential for consumer harm if the debt settlement  
21 business remained on hold indefinitely was also a consideration: at the time the  
22 TRO was entered, DPG had 7,778 Arete consumer accounts holding approximately  
23 \$5.3 million in customer funds awaiting disbursement to creditors, and if the funds  
24 could not be disbursed, customers would effectively be forced to default on their  
25 obligations and would suffer significant harm.<sup>8</sup>

26 \_\_\_\_\_  
27 <sup>8</sup> While DPG and the FTC agreed on November 7, 2019 that customer funds could  
28 be disbursed to fulfill existing settlement agreements with creditors (solving part of  
the problem), the underlying issue – what would happen to Arete's debt settlement  
customers in the long run – did not disappear.

1 Having determined that the business needed to be sold, the Receiver went on  
2 to vet roughly ten potentially interested parties and/or their counsel before  
3 receiving two firm offers from debt settlement operators with long histories of  
4 working with DebtPayPro (Arete's customer relationship management software)  
5 and Debt Pay Gateway (the third-party account management company used by  
6 Arete), as well as the legal insurance plan Arete offered (Veritas Legal Plan). The  
7 Receiver selected the offer made by New Era Group, Inc. d/b/a New Era Debt  
8 Solutions to purchase the business for \$1.2 million payable in twelve monthly  
9 payments of \$100,000. On January 7, 2020, he filed an *ex parte* application for an  
10 Order approving and confirming the sale of the debt settlement accounts, which the  
11 Individual Defendants opposed. After oral argument was heard, the Court denied  
12 the Receiver's *ex parte* application to sell the business.

13 Following two status conferences and briefing, the FTC and Individual  
14 Defendants Howe, Hsu, Palacios, and Pomazi jointly submitted a proposed order  
15 regarding the debt settlement business. *See* ECF No. 115. On January 27, 2020,  
16 the Court entered an order enabling Arete to resume debt settlement operations for  
17 already-existing clients. *See* ECF No. 116. The order instructed the Receiver to  
18 restore the Arete Defendants' access to any CRM databases necessary to service  
19 Arete's existing clients, *see id.* at 3, which the Receiver has done.

### 20 **C. Consumer Protection Efforts**

21 Upon his appointment, the Receiver proceeded to ensure that all consumer  
22 payments to the Receivership Entities were suspended. Notices were posted to  
23 Defendants' websites informing consumers about the FTC case against Defendants  
24 and directing them to the Receiver's website, which provided additional  
25 information. Utilizing Defendants' existing CRM, emails were sent to almost  
26 37,000 consumers notifying them of the lawsuit, recommending that they contact  
27 their student loan servicers, and directing them to the Receiver's website. The  
28 Receiver's office continued to field inquiries from consumers, including from one

1 of American Financial's former customers who reported a potential scam, which  
2 the Receiver flagged for the FTC. *See* ECF No. 157 at 6-7.

3 **IV. Receivership Accounting**

4 Attached as Exhibit 1 is a Receipts and Disbursements Summary for the  
5 receivership period through March 31, 2022. It shows aggregate receipts of  
6 \$1,244,935.43, less disbursements of \$403,354.69, for net cash as of this Final  
7 Report of \$841,580.74.

8 **APPLICATION FOR DISCHARGE AND**  
9 **APPROVAL OF FINAL FEE APPLICATION**

10 The Application for Discharge is made on the grounds that the underlying  
11 case has now been resolved as to all Defendants, and the Receiver has completed  
12 his duties as defined in the TRO and the PI.

13 The Final Fee Application is made pursuant to Sections XII.F and XVIII of  
14 the PI, which provide that the Receiver and all personnel hired by the Receiver are  
15 entitled to reasonable compensation and for the cost of actual out-of-pocket  
16 expenses to be paid from the assets of the Receivership Entities. This fee  
17 application seeks approval to pay fees and expenses for services during the 18-  
18 month period October 1, 2020 through March 31, 2022 as follows: \$20,270.50 fees  
19 and \$981.79 expenses to the Receiver and his staff payable to TWM Receiverships  
20 Inc., dba Regulatory Resolutions; \$25,228.00 fees and \$143.34 expenses to  
21 Receiver's counsel McNamara Smith LLP; and \$875.50 fees to the Receiver's  
22 computer forensic expert, Hadron Computer Forensics & Investigations.

23 The Final Fee Application also seeks authorization to hold back \$10,000.00  
24 as a reserve for final administrative costs, *e.g.*, document and electronics storage  
25 costs, removal and destruction of computer hard drives, and document destruction  
26 costs, which may be expended without further order of the Court, and after 120  
27 days any unexpended funds from that reserve shall be disbursed to Plaintiff Federal  
28 Trade Commission. If the invoices in this Final Fee Application are approved for

1 payment in full, and the requested reserve of \$10,000.00 is approved, net cash for  
2 immediate transfer to the FTC will be \$789,781.61.

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

8 Dated: April 4, 2022

MCNAMARA SMITH LLP

9

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

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**CERTIFICATE OF SERVICE**

I hereby certify that on the 4th day of April, 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*