

1 Andrew M. Greene (SBN 167386)
2 agreene@mcnamarallp.com
3 McNamara Smith LLP
4 655 West Broadway, Suite 900
5 San Diego, California 92101
6 Telephone: 619-269-0400
7 Facsimile: 619-269-0401

8 *Attorneys for Receiver,*
9 *Thomas W. McNamara*

10 UNITED STATES DISTRICT COURT
11 CENTRAL DISTRICT OF CALIFORNIA

12 FEDERAL TRADE COMMISSION,
13 Plaintiff,

14 v.

15 BCO CONSULTING SERVICES, INC.,
16 et al.,
17 Defendants.

Case No. 8:23-cv-00699-JWH (ADSx)

**RECEIVER’S FIRST INTERIM
STATUS REPORT**

JUDGE: Hon. John W. Holcomb
CTRM: 9D

1 The receiver submits this First Interim Status Report for the period of May
2 12, 2023 to November 9, 2023. *See* L.R. 66-6.1.

3 **I.**

4 **INTRODUCTION**

5 On May 3, 2023, this Court entered an Amended Temporary Restraining
6 Order (“TRO,” ECF No. 32) and appointed Thomas W. McNamara as temporary
7 receiver (“Receiver”) of the Receivership Entities.¹ The Receiver’s appointment
8 was confirmed in the Stipulated Preliminary Injunction (ECF No. 55) entered on
9 May 22, 2023.

10 The Receiver filed his Preliminary Report (ECF No. 37) on May 12, 2023
11 which described in detail the implementation of the receivership and summarized
12 the Receivership Entities’ operations and finances. On July 3, 2023, the Receiver
13 filed a First Interim Fee Application (ECF No. 57), which a provided a summary of
14 receivership activities through June 30, 2023. This report covers receivership
15 activities after that date.

16 **A. Investigation and Demand to Merchant Processor**

17 In the initial review of materials and documents, the Receiver’s team
18 observed troubling activity by the Receivership Entities’ primary merchant
19 processor. A more in-depth review and investigation into the merchant processor
20 was recently undertaken. After that review, a detailed demand letter with
21 supporting materials was presented to the merchant processor. The Receiver and
22

23 _____
24 ¹ The TRO defines Receivership Entities to mean, “Corporate Defendant” [BCO
25 Consulting Services Inc., also d/b/a Student Loan Services LLC, and SLA
26 Consulting Services Inc., f/k/a Student Loan Advocates LLC and their respective
27 subsidiaries, affiliates, successors, and assigns] as well as any other entity that has
28 conducted any business related to Defendants’ marketing 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. On May 4, 2023, the Receiver gave notice he determined that
A1 Consulting, LLC and Xcel Consulting Services, Inc. qualified as additional
Receivership Entities.

1 merchant processor subsequently engaged in settlement discussions which remain
2 ongoing.

3 **B. Turnover and Marketing of Real Estate**

4 Pursuant to the provisions of the Order Granting Stipulation for Permanent
5 Injunction (ECF No. 69), Defendant Olilang turned over control of two properties:
6 a triplex in Hemet, California, and a duplex in Cathedral City, California. Olilang
7 has executed a power of attorney in the Receiver’s favor so the properties can be
8 marketed and sold. The Receiver has coordinated with the manager of the
9 properties to gather information about the condition of the properties, the identity
10 of the tenants, and the status of rents. The Receiver identified, interviewed, and
11 selected two brokers (one for Hemet and a second for Cathedral City). The
12 properties were promptly listed – Hemet for \$549,000 and Cathedral City at
13 \$395,000. The Receiver has accepted an offer for the Hemet property and the
14 buyer is conducting due diligence; no offers have yet been received on the
15 Cathedral City property. Both properties have outstanding mortgages which will
16 be paid off at closing.

17 **C. Investigation of Post-Receivership Consumer Charges**

18 The Receiver became aware that a small number of A1 Consulting
19 consumers continued to be charged by a payment processor notwithstanding the
20 processor’s receipt of the TRO and asset freeze. Discussions with the payment
21 processor have revealed an unintentional failure to fully cease all processing
22 activity. The processor will need to refund impacted consumers in full and
23 discussions on how to implement the refund are ongoing.

24 **D. Miscellaneous**

25 The Receiver’s team engaged with the landlord for A1 Consulting, LLC and
26 negotiated the return of a substantial portion of the security deposit on its leased
27 office. They also extensively interfaced with the provider of the Receivership
28 Entities’ customer relationship management (“CRM”) platform and ultimately

1 obtained a complete export of the system’s data for preservation. Using the CRM
2 platform, an email campaign was conducted to notify consumers of the
3 receivership and the need to contact their student loan processors.

4 The Receiver’s forensic accountant reviewed bank statements, merchant
5 processor statements, accounting statements, and CRM data as part of the
6 Receiver’s investigations into the topics discussed above. In addition, bank
7 statements and QuickBooks records were analyzed to determine the employment
8 classification of personnel working for the Receivership Entities.

9 **II.**

10 **RECEIVERSHIP ACCOUNTING**

11 Attached as Exhibit 1 is a Receipts and Disbursements Summary through
12 November 9, 2023. During this period, receipts were \$320,671.29, primarily
13 comprised of transfers from the Receivership Entities’ bank and merchant accounts
14 (\$314,657.64). Disbursements were \$160,640.61, primarily comprised of
15 professional fees and expenses contained in the Receiver’s First Interim Fee
16 Application (ECF No. 57) and approved by the Order entered July 26, 2023 (ECF
17 No. 59). Net available cash as of November 9, 2023 is \$160,030.68.

18 Dated: November 10, 2023

MCNAMARA SMITH LLP

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20 By: /s/ Andrew M. Greene
Andrew M. Greene
21 *Attorneys for Receiver,*
Thomas W. McNamara
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CERTIFICATE OF SERVICE

I hereby certify that on the 10th day of November, 2023, 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 M. Greene
Andrew M. Greene
Attorney for Receiver,
Thomas W. McNamara