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11 Attorneys for Receiver  
12 Krista L. Freitag

13 UNITED STATES DISTRICT COURT  
14 CENTRAL DISTRICT OF CALIFORNIA  
15 SOUTHERN DIVISION

16 FEDERAL TRADE COMMISSION,  
17 Plaintiff,

18 v.

19 AMERICAN HOME SERVICING  
CENTER, LLC,  
20 CAPITAL HOME ADVOCACY  
21 CENTER,  
22 NATIONAL ADVOCACY CENTER,  
LLC,

23 JAIME ABURTO, a/k/a James Aburto  
24 and Jamie Aburto, individually, as an  
25 officer of American Home Servicing  
Center, LLC and National Advocacy  
26 Center, LLC. and d/b/a A.H.S.C.,  
American Home Servicing Center, Local  
27 Page, NAC, National Servicing Center,  
NSC Processing, and Secured  
28 Processing,

Case No. 8:18-cv-00597-JLS-KES

**SUPPLEMENTAL BRIEF IN  
SUPPORT OF FIRST INTERIM FEE  
APPLICATIONS OF KRISTA  
FREITAG, RECEIVER, AND ALLEN  
MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP,  
COUNSEL FOR RECEIVER**

Date: September 21, 2018  
Time: 2:30 p.m.  
Ctrm: 10A  
Judge: Hon. Josephine L. Staton

1 MARCUS FIERRO, JR., individually, as  
2 a member of American Home Servicing  
3 Center, LLC and National Advocacy  
4 Center, LLC, and d/b/a A.H.S.C. and  
5 American Home Servicing Center,  
6  
7 EVE CHRISTINE RODRIGUEZ, a/k/a  
8 Elizabeth Davis, Elizabeth Powers,  
9 Christina Rodriguez, Christine  
10 Rodriguez, and Elizabeth Rodriguez,  
11 individually, as a manager of American  
12 Home Servicing Center, LLC, a member  
13 of Capital Home Advocacy Center, and  
14 d/b/a National Advocacy Group, and  
15  
16 SERGIO LORENZO RODRIGUEZ,  
17 a/k/a Sergio Lawrence, individually, as a  
18 manager of American Home Servicing  
19 Center, LLC, a member of Capital Home  
20 Advocacy Center, and d/b/a National  
21 Advocacy Group,

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Defendants.

1 Pursuant to this Court's Order (1) Continuing Hearing on First Interim Fee  
2 Applications (Docs. 83, 84); and (2) Requesting Supplemental Briefing ("Order")  
3 entered on August 8, 2018 (Dkt. No. 104), Krista L. Freitag ("Receiver"), the  
4 Court-appointed permanent receiver for American Home Servicing Center, LLC  
5 ("American Home"), Capital Home Advocacy Center ("Capital Home"), and  
6 National Advocacy Center, LLC ("National Advocacy"), and their subsidiaries  
7 and affiliates (collectively, "Receivership Entities") and Allen Matkins Leck  
8 Gamble Mallory & Natsis LLP ("Allen Matkins"), counsel for the Receiver,  
9 hereby submit this supplemental brief in support of their First Interim Fee  
10 Applications.

### 11 **Conclusion of the Receivership**

12 As the Court correctly noted in its Order, the fees and costs incurred by the  
13 Receiver and Allen Matkins exceed the total funds in the receivership estate. As  
14 reflected in the Receiver's Second Interim Report filed herewith, the Receiver has  
15 recovered a total of \$22,130.00 to date and does not expect to recover much more  
16 from assets currently in her possession and control. While the combined fees and  
17 costs incurred by the Receiver and Allen Matkins for the April 16, 2018, through  
18 May 31, 2018, time period are approximately \$87,700, the fees and costs incurred  
19 thereafter have substantially decreased.

20 Until recently, it appeared possible that a material sum of funds previously  
21 seized by the Long Beach Police Department from affiliated entity National  
22 Servicing Center would be recoverable, in which case there would be sufficient  
23 funds to pay the administrative expenses incurred and provide a refund to  
24 consumers. The Receiver recently learned, however, that such recovery for the  
25 benefit of the receivership estate is very unlikely.

26 The Receiver, therefore, intends to work with counsel for the Federal Trade  
27 Commission and Defendants Sergio and Eve Christine Rodriguez to provide  
28 access and/or copies of the electronic data of the Receivership Entities in her

1 possession so the data is available to both sides to be used as evidence, as  
2 necessary and appropriate under the Federal Rules of Civil Procedure, in  
3 connection with the ongoing litigation. Once that process is complete, the  
4 Receiver will move the Court to conclude the receivership and discharge her from  
5 all duties under the TRO entered on April 13, 2018 (Dkt. No. 20) and Preliminary  
6 Injunction Order entered on April 27, 2018 (Dkt. No. 43). The Receiver's motion  
7 will also address the issue of mail, including mail from lenders, significant  
8 amounts of which continues to be received by the Receiver, and how best to  
9 ensure direct communications between consumers and lenders, which may  
10 include advising consumers again to contact their lenders. The Receiver  
11 anticipates having her motion on file in the next 30 days.

12 **Sergio Rodriguez and Eve Christine Rodriguez Objection**

13 On August 10, 2018, Sergio Rodriguez and Eve Christine Rodriguez filed  
14 an objection to the First Interim Fee Applications ("Rodriguez Objection"). Dkt.  
15 No. 105. The Rodriguez Objection presents no basis to deny the requested fees or  
16 costs. The Rodriguez Objection includes a hearsay statement, purportedly from a  
17 person at the "California Bar Association," that "most lawyer fees are stated in  
18 round numbers such as \$200 or \$300 per hour . . ."

19 This statement has no bearing whatsoever on this receivership or the fees  
20 requested. The Court, from its ample experience, is very familiar with the hourly  
21 rates charged by receivers and their counsel in receivership matters initiated by  
22 federal agencies in this district, and therefore knows that the hourly rates charged  
23 by the Receiver and Allen Matkins, which are discounted by 10% from their  
24 customary rates, are fair and reasonable. Accordingly, this statement in the  
25 Rodriguez Objection should be entirely disregarded.

26 In her declaration submitted with the Rodriguez Objection, Ms. Rodriguez  
27 makes various false and misleading statements, including, but not limited to,  
28 those relating to the Receiver's sale of personal property located at the former

1 Capital Home offices. Declaration of Krista L. Freitag ("Freitag Decl.", ¶ 2.)  
2 Although the Receiver does not address each and every false statement contained  
3 in Ms. Rodriguez's declaration herein, she responds to clarify the facts as follows:  
4       • Regarding operations, what the Receiver did explain to Ms. Rodriguez  
5       was that there was no money with which to operate *lawfully* or  
6       profitably, hence the operations had to cease. Furthermore, the Receiver  
7       told Ms. Rodriguez that any consumer payments received were being  
8       held and would be returned to the paying consumers, and on numerous  
9       occasions, including at the outset of the April 16, 2018 takeover,  
10      encouraged Ms. Rodriguez to review the Court's order carefully.  
11      Freitag Decl., ¶ 3.  
12      • Regarding personal property, as previously mentioned, electronic  
13      inventories were taken, and the personal property consisted of CPUs,  
14      computer monitors, cubicles and other miscellaneous office furniture  
15      (*e.g.*, Ikea), and fixtures and equipment, all of little resale value. With  
16      no money to pay rent, storage, or even to move out of nearly 9,000  
17      square feet of office space (it was estimated that a move would cost  
18      between \$10,000 and \$15,000), the Receiver, through her staff, reached  
19      out to several professional, local auction companies and provided  
20      electronic inventories to them to determine an approximate value for the  
21      personal property. The auctioneers said that the market for general  
22      office equipment was very low and one commented that he would likely  
23      monetize the cubicles and file cabinets for scrap metal value.  
24      Ultimately, it was determined that the best approach would be to have  
25      the auction company purchase the personal property from the Receiver.  
26      Because they would necessarily take on the costs of moving the  
27      personal property, their offers were very low. The best offer received  
28      was from one auction company that was willing to vacate the offices in

1 exchange for \$1,500. It is also important to note that removing the  
2 personal property swiftly from the office allowed the Receiver to  
3 negotiate with the landlord for a recovery of the \$6,295 deposit on the  
4 Capital Home office lease, despite the fact the lease was terminated  
5 before the end of the lease term. Freitag Decl., ¶ 4.

- 6 • Regarding the tires, the Receiver did express to Ms. Rodriguez that the  
7 six tires (not two full sets) had been removed from the premises, but did  
8 not represent that the tires had been sold (in fact, those items are yet to  
9 be sold). The Receiver also expressed to Ms. Rodriguez that the Capital  
10 Home accounting showed thousands of dollars of auto expenses paid by  
11 the company. Also, the Receiver allowed Ms. Rodriguez to create a  
12 wish list for the personal property items she wanted to retrieve from the  
13 Capital Home premises. The Receiver then worked with Ms. Rodriguez  
14 and allowed her to take the items on that list deemed to have limited  
15 value to the estate. As an example, the items not allowed to be taken  
16 were a large screen television and big screen projector. It is also  
17 important to note that no evidence was presented reflecting personal  
18 payment for said items and that the items allowed to be taken were more  
19 than could fit into two sport utility vehicles. Freitag Decl., ¶ 5.

20 Accordingly, like the hearsay statement concerning hourly rates discussed  
21 above, Ms. Rodriguez's declaration presents no basis to deny any portion of  
22 requested fees or costs.

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1           **Conclusion**

2           The Receiver and Allen Matkins ask that the First Interim Fee Applications  
3 be approved and the Receiver be authorized to pay herself (including her IT  
4 vendor) and Allen Matkins on a *pro rata* basis from the \$22,130 in funds  
5 recovered to date. The Receiver and Allen Matkins have worked diligently to  
6 carry out the Receiver's Court-ordered duties and, in all likelihood, will be paid  
7 for only a small fraction of the work they have done.

8 Dated: August 22, 2018

ALLEN MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP

9  
10 By:           /s/ Edward Fates

EDWARD G. FATES  
Attorneys for Receiver  
KRISTA L. FREITAG

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