

ROBB EVANS & ASSOCIATES LLC

Receiver of

**Homeland Financial Services, National Support Services, LLC, United Debt Recovery, LLC,
Freedom First Financial, LLC, Prosper Financial Solutions,
USA Debt Co, LLC, aka USADEBT.CO.COM and
Monitor of Nationwide Support Services, Inc.**

11450 Sheldon Street

Sun Valley, California 91352-1121

Telephone No.: (818) 768-8100

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**Federal Trade Commission v. Dennis Connelly, et al.
CASE No. SACV 06-701 DOC (RNBx)**

Notice of Motion and Motion for Order:

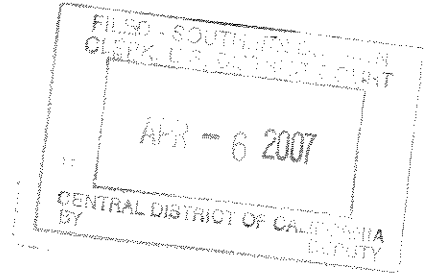
- (1) Approving and Authorizing Payment of Permanent Receiver's Fees and Expenses, and for Approval and Payment of Fees and Expenses of Permanent Receiver's Professionals [December 1, 2006 Through February 28, 2007]; and**
- (2) Approving Limited Notice of Motion under Local Civil Rule 66-7**

Memorandum of Points and Authorities and Declarations of Kenton Johnson and Gary Owen Caris in Support Thereof

Filed April 6, 2007

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7 ROBB EVANS and ROBB EVANS &
ASSOCIATES LLC



8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**

10
11 FEDERAL TRADE COMMISSION,
12 Plaintiff,

13 v.

14 DENNIS CONNELLY, et al.,
15 Defendants.

CASE NO. SACV-06-701 DOC
(RNBx)

**NOTICE OF MOTION AND
MOTION FOR ORDER (1)
APPROVING AND AUTHORIZING
PAYMENT OF PERMANENT
RECEIVER'S FEES AND
EXPENSES, AND FOR APPROVAL
AND PAYMENT OF FEES AND
EXPENSES OF PERMANENT
RECEIVER'S PROFESSIONALS
[DECEMBER 1, 2006 THROUGH
FEBRUARY 28, 2007]; AND (2)
APPROVING LIMITED NOTICE
OF MOTION UNDER LOCAL
CIVIL RULE 66-7;
MEMORANDUM OF POINTS AND
AUTHORITIES AND
DECLARATIONS OF KENTON
JOHNSON AND GARY OWEN
CARIS IN SUPPORT THEREOF**

DATE: APRIL 30, 2007

TIME: 8:30 A.M.

PLACE: COURTROOM 9D

1 PLEASE TAKE NOTICE THAT on April 30, 2007 commencing at 8:30
2 a.m. or as soon thereafter as the parties may be heard in Courtroom 9D of the
3 above-entitled Court located at 411 W. 4th Street, Santa Ana, California, Robb
4 Evans and Robb Evans & Associates LLC as Permanent Receiver ("Receiver") of
5 Homeland Financial Services, Inc., National Support Services, Inc., United Debt
6 Recovery, LLC, and Financial Liberty Services, LLC (for convenience referred to
7 herein as the "Homeland Entities") will and does hereby move the Court for an
8 order approving the fees and expenses incurred by the Receiver and the fees and
9 expenses of the Receiver's professionals. The Receiver seeks approval and
10 authorization for payment of the following fees and expenses incurred during the
11 period of December 1, 2006 through and including February 28, 2007 ("Third
12 Expense Period") consisting of Receiver's fees, including those of the Receiver, the
13 Receiver's senior members and staff, of \$23,101.74 and Receiver's expenses of
14 \$989.93, and fees and expenses of the Receiver's attorneys McKenna Long &
15 Aldridge LLP ("McKenna Firm") of \$10,278.08, pertaining to the receivership of
16 the Homeland Entities.

17 In connection with the motion for approval and payment of fees and
18 expenses, the Receiver further seeks an order deeming the Receiver's service of
19 notice of this motion and the motion on the parties to this action through service on
20 their counsel of record, service of notice of the hearing on the motion on known
21 consumer creditors of the Homeland Entities as well as consumers who have
22 affirmatively contacted the Receiver for a refund, and the Receiver's posting of the
23 notice of motion and motion, supporting memorandum and declarations without
24 voluminous exhibits on the Receiver's website for this case at
25 www.robbevans.com/html/homeland.html pursuant to Local Civil Rules 66-7 and
26 6-1 to be sufficient and appropriate notice under the circumstances.

27 This motion is made pursuant to Local Civil Rule 66-7 and is made and
28 based on this notice of motion and motion, the memorandum of points and

1 authorities and declarations of Kenton Johnson and Gary Owen Caris in support
2 hereof, the separate notice of hearing on the motion, on the pleadings, records and
3 files of the Court in connection with this action and on such other oral and
4 documentary evidence and arguments of counsel as may be presented by the
5 Receiver prior to or at the hearing on the motion.

6
7 Dated: April 5, 2007

MCKENNA LONG & ALDRIDGE LLP
Gary Owen Caris
Lesley Anne Hawes

8
9
10 By: 

Gary Owen Caris
Attorneys for Permanent Receiver,
ROBB EVANS and ROBB EVANS
& ASSOCIATES LLC

1 MEMORANDUM OF POINTS AND AUTHORITIES

2 I. INTRODUCTION

3 This action is a civil enforcement action filed by plaintiff Federal Trade
4 Commission ("FTC") against numerous individual defendants and entities,
5 including Dennis Connolly ("Connolly"), Richard Wade Torkelson ("Torkelson"),
6 Joanne Garneau ("Garneau"), an individual formerly doing business as Prosper
7 Financial Solutions ("Prosper"), Homeland Financial Service, LLC ("Homeland"),
8 National Support Service, LLC ("National"), United Debt Recovery, LLC
9 ("United"), Freedom First Financial LLC ("Freedom"), and USA Debt Co., LLC
10 ("DebtCo"). Robina Capital, Inc. ("Robina"), a corporation owned and controlled
11 by Garneau, assumed the fictitious business name of Prosper ("Robina/Prosper").
12 By Temporary Restraining Orders entered on August 9, 2006 and August 11, 2006
13 (individually and collectively the "Restraining Order"), the Court appointed Robb
14 Evans and Robb Evans & Associates LLC as Temporary Receiver over defendants
15 Homeland, Prosper, National, United, Freedom, DebtCo and Financial Liberty
16 Services, LLC ("Liberty"), and their affiliates, subsidiaries, successors and assigns
17 and any other corporations or businesses under their control. See Temporary
18 Restraining Order entered August 11, 2006, Section X. Such orders further
19 appointed the Receiver as Monitor over the entity Nationwide Support Service, Inc.
20 ("Nationwide"). See Temporary Restraining Order entered August 11, 2006,
21 Section XII. The Court's August 11, 2006 Temporary Restraining Order which
22 also set the hearing on the Court's Order to Show Cause regarding issuance of a
23 Preliminary Injunction Order was extended from time to time by various orders of
24 the Court.

25 The Court subsequently issued three preliminary injunction orders. The
26 Stipulated Preliminary Injunction as to Defendant Joanne Garneau filed October 10,
27 2006 provided for the appointment of the Receiver as permanent receiver over
28 Robina/ Prosper, its affiliates, subsidiaries, successors and assigns and any other

1 corporations or businesses under their control, and also provided for the Receiver to
2 continue as Monitor over Nationwide. The Revised Preliminary Injunction with
3 Asset Freeze, Appointment of Receiver and Other Equitable Relief filed October
4 18, 2006, provided for the Receiver to be appointed as Permanent Receiver over
5 Homeland, National, United, and Liberty. The Stipulated Preliminary Injunction as
6 to Defendants Freedom First Financial, LLC and USA DebtCo, LLC aka
7 USADebtCo.Com Order entered October 13, 2006 provided for the appointment of
8 Robb Evans & Associates LLC as Monitor over DebtCo and Freedom and their
9 affiliates, subsidiaries, successors and assigns and any other corporations or
10 businesses under their control.¹ The Preliminary Injunction Orders provide for the
11 payment of the fees and expenses incurred by the Receiver and Monitor and their
12 counsel in performance of their duties from the assets of the receivership estates
13 and/or monitored entities, respectively.

14 The Receiver and Monitor previously filed a motion for approval and
15 payment of fees and expenses for the period from the inception of the receivership
16 proceedings on August 10, 2006 when the Receiver first took possession and
17 control of the receivership entities and began supervising the Monitored Entities
18 through and including September 30, 2006 (“Initial Expense Period”). The
19 Receiver and Monitor subsequently filed a motion for approval of payment of fees
20 and expenses for the period from October 1, 2006 through November 30, 2006
21 (“Second Expense Period”). Both motions were granted by the Court without a
22 hearing. Since these motions were filed, stipulations entered between the FTC and
23 certain defendants have resolved the proceedings with the Monitor over
24 Nationwide, DebtCo and Freedom and certain receivership defendants. The FTC
25 and defendants Garneau and Robina/Prosper filed a settlement agreement and

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28 ¹ The October 10, 2006 Stipulated Preliminary Injunction, the October 13, 2006
Stipulated Preliminary Injunction and the October 18, 2006 Revised Preliminary
Injunction are referred to individually and collectively herein for convenience as the
“Preliminary Injunction Orders.”

1 proposed final order on February 23, 2007 which notified the Court of the
2 settlement reached between the parties and provided for the winding up of Monitor
3 proceedings with respect to Nationwide and the winding up of the Robina/Prosper
4 receivership and discharging the Monitor and Receiver in these capacities upon
5 payment of the fees and expenses related to the Robina/Prosper receivership and the
6 Nationwide Monitor. The proposed settlement agreement and final judgment
7 further provided for the discharge of the Monitor over Nationwide and the Receiver
8 over Robina/Prosper. The settlement agreement and final judgment was entered by
9 the Court on February 23, 2007. The FTC and defendants Freedom and DebtCo
10 filed a stipulation on April 2, 2007 notifying the Court that the parties had reached a
11 settlement and authorizing and approving the winding up of the Monitor
12 proceedings with respect to Freedom and DebtCo and discharging the Monitor of
13 all duties, liabilities and responsibilities upon payment of the Monitor's fees and
14 expenses. The stipulation was approved by the Court on April 2, 2007. The
15 required payments were made to the Receiver in his capacity as Receiver over
16 Robina/Prosper and as Monitor over Nationwide, Freedom and Debtco. Therefore,
17 this motion only addresses the Receiver's fees and expenses and those of his
18 professionals for the Homeland Entities.

19 This motion seeks approval and authorization for payment of fees and
20 expenses incurred by the Receiver, the Receiver's senior members and staff
21 pertaining to the administration of the receivership and the receivership entities
22 incurred from December 1, 2006 through February 28, 2007 in connection with the
23 Homeland Entities ("Third Expense Period"). This motion also seeks approval and
24 authorization for payment of the fees and expenses in connection with the
25 Homeland Entities of the McKenna Firm as counsel for the Receiver and Monitor
26 during the Third Expense Period.

1 **II. RECEIVER SEEKS APPROVAL AND AUTHORIZATION FOR**
2 **PAYMENT OF THE FEES AND EXPENSES OF THE RECEIVER**
3 **AND ITS COUNSEL**

4 Attached as Exhibit 1 to the motion is a summary of Receivership
5 Administrative Expenses and Fund Balance by Month for the Third Expense Period
6 pertaining to the Homeland Entities and the Receiver's administration and
7 investigation of those entities during the Third Expense Period. Attached
8 collectively as Exhibit 2 to the motion are copies of the detailed time records of the
9 Receiver, the Receiver's senior staff and other employees for services rendered by
10 them in connection with the Homeland Entities. During the Third Expense Period,
11 the Receiver, senior members and staff of the Receiver incurred aggregate fees of
12 \$23,101.74 and expenses of \$989.93 pertaining to the Homeland Entities for which
13 approval and authorization for payment is sought by this motion.

14 As reflected in the time records attached to the motion, during the Third
15 Expense Period, the Receiver, with its senior staff and other employees, have
16 continued to analyze the business, financial, banking and accounting records of the
17 Homeland Entities dating to the inception of the corporations. Also, Kenton
18 Johnson prepared for and testified at a noticed deposition and both Mr. Johnson and
19 Mr. Roop attended the trial on February 1-2, 2007 as potential witnesses. Further,
20 members of the Receiver's staff responded to multiple information technology
21 requests by various parties.

22 The Receiver has engaged the McKenna Firm as its counsel in this action.
23 The Receiver's counsel prepared for and defended the deposition of the Receiver's
24 deputy and assisted the Receiver in addressing various issues regarding the
25 administration of the receivership. The Receiver's counsel also prepared and filed
26 the second fee application. The Receiver's counsel's services are detailed in the
27 Declaration of Gary Owen Caris and Exhibit 3 to the motion. The Receiver has
28 incurred attorneys' fees and expenses during the Third Expense Period of

1 \$10,278.08 pertaining to the receivership of Homeland and its related and affiliated
2 entities.

3 **III. NOTICE OF THIS MOTION IS SUFFICIENT AND APPROPRIATE**
4 **UNDER THE CIRCUMSTANCES**


5 Local Civil Rule 66-7 provides for service of notice of applications for
6 payment of Receiver's fees and expenses on all parties to the action and "on all
7 known creditors of the defendant." Local Rule 66-7 further states that Local Civil
8 Rule 6-1 applies to the notice, and Local Rule 6-1 provides that "unless otherwise
9 ordered by the Court," service of the notice of motion and motion is to be made not
10 later than 24 days in advance of the hearing. As to the receivership entities, certain
11 of the receivership entities, including Homeland, ceased doing business prior to the
12 Receiver's appointment. Not including the thousands of potential consumer
13 creditors, the Receiver has compiled a list of non-consumer creditors from
14 receivership records and a small number of potential consumer creditors who have
15 affirmatively contacted the Receiver for a refund. The Receiver has caused the
16 known non-consumer creditors and consumers who have contacted the Receiver for
17 a refund to date to be served with notice of this motion. The Receiver's analysis of
18 the receivership entities and potential consumer claimants is still in its early stage
19 and it is neither practical nor cost-effective for the receivership estate to serve
20 notice of the motion at this time on the thousands of potential consumer claimants
21 who may have done business with the receivership entities. For these reasons, the
22 Receiver submits that notice of this motion should be deemed sufficient and
23 appropriate under the circumstances based on service of the motion on the parties to
24 the action through their respective counsel of record as well as service of a notice of
25 the motion on the known non-consumer creditors and the consumers who have
26 affirmatively requested a refund, and posting of the motion, without voluminous
27 exhibits, on the Receiver's website for this matter.

1 **IV. CONCLUSION**

2 Based upon the foregoing, the Receiver respectfully requests that the Court
3 grant this motion.

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5 Dated: April 5, 2007

MCKENNA LONG & ALDRIDGE LLP
Gary Owen Caris
Lesley Anne Hawes

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9 By: 
10 Gary Owen Caris
11 Attorneys for Permanent Receiver,
12 ROBB EVANS and ROBB EVANS
13 & ASSOCIATES LLC
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1 successors and assigns and any other corporations or businesses under their control,
2 and also provided for the Receiver to continue as Monitor over Nationwide. The
3 Revised Preliminary Injunction with Asset Freeze, Appointment of Receiver and
4 Other Equitable Relief filed October 18, 2006, provided for the Receiver to be
5 appointed as Permanent Receiver over Homeland, National, United, and Liberty.
6 The Stipulated Preliminary Injunction as to Defendants Freedom First Financial,
7 LLC and USA DebtCo, LLC aka USADebtCo.Com Order entered October 13,
8 2006 provided for the appointment of Robb Evans & Associates LLC as Monitor
9 over DebtCo and Freedom and their affiliates, subsidiaries, successors and assigns
10 and any other corporations or businesses under their control.

11 4. The Receiver and Monitor previously filed a motion for approval and
12 payment of fees and expenses for the period from the inception of the receivership
13 proceedings on August 10, 2006 when the Receiver first took possession and
14 control of the receivership entities and began supervising the Monitored Entities
15 through and including September 30, 2006 ("Initial Expense Period"). The
16 Receiver and Monitor subsequently filed a motion for approval of payment of fees
17 and expenses for the period from October 1, 2006 through November 30, 2006
18 ("Second Expense Period"). Both motions were granted by the Court without a
19 hearing. Since these motions were filed, stipulations entered between the FTC and
20 certain defendants have resolved the proceedings with the Monitor over
21 Nationwide, DebtCo and Freedom and certain receivership defendants. The FTC
22 and defendants Garneau and Robina/Prosper filed a settlement agreement and
23 proposed final order on February 23, 2007 which notified the Court of the
24 settlement reached between the parties and provided for the winding up of Monitor
25 proceedings with respect to Nationwide and the winding up of the Robina/Prosper
26 receivership and discharging the Monitor and Receiver in these capacities upon
27 payment of the fees and expenses related to the Robina/Prosper receivership and the
28 Nationwide Monitor. The proposed settlement agreement and final judgment

1 further provided for the discharge of the Monitor over Nationwide and the Receiver
2 over Robina/Prosper. The settlement agreement and final judgment was entered by
3 the Court on February 23, 2007. The FTC and defendants Freedom and DebtCo
4 filed a stipulation on April 2, 2007 notifying the Court that the parties had reached a
5 settlement and authorizing and approving the winding up of the Monitor
6 proceedings with respect to Freedom and DebtCo and discharging the Monitor of
7 all duties, liabilities and responsibilities upon payment of the Monitor's fees and
8 expenses. The stipulation was approved by the Court on April 2, 2007. The
9 required payments were made to the Receiver in his capacity as Receiver over
10 Robina/Prosper and as Monitor over Nationwide, Freedom and DebtCo. Therefore,
11 this motion only addresses the Receiver's fees and expenses and those of his
12 professionals for the Homeland Entities.

13 5. Attached hereto as Exhibit 1 is a summary of Receivership
14 Administrative Expenses and Fund Balance by Month for the Third Expense Period
15 pertaining to the Homeland Entities and the Receiver's administration and
16 investigation of those entities during the Third Expense Period. Attached hereto
17 collectively as Exhibit 2 are copies of the detailed time records of the Receiver, the
18 Receiver's senior staff and other employees for services rendered by them in
19 connection with the Homeland Entities.

20 6. During the Third Expense Period, the Receiver, senior members and
21 staff of the Receiver incurred aggregate fees of \$23,101.74 and Receiver's expenses
22 of \$989.93 pertaining to the Homeland Entities. The Receiver also incurred
23 attorneys' fees and costs for the services of its counsel McKenna Long & Aldridge
24 LLP ("McKenna Firm") pertaining to the Homeland Entities of \$10,278.08. The
25 Receiver seeks approval and authorization for payment of all of the foregoing fees
26 and expenses.

27 7. As reflected in the time records attached to the motion, during the
28 Third Expense Period, the Receiver, with its senior staff and other employees, have

1 continued to analyze the business, financial, banking and accounting records of the
2 Homeland Entities dating to the inception of the corporations. Also, as Deputy to
3 the Receiver, I prepared for and testified at a noticed deposition and both Mr. Roop
4 and I attended the trial on February 1-2, 2007 as potential witnesses. Further,
5 members of the Receiver's staff responded to multiple information technology
6 requests by various parties.

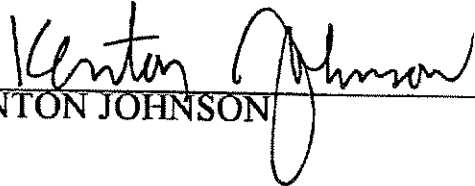
7 8. As to the receivership entities, certain of the receivership entities,
8 including Homeland, ceased doing business prior to the Receiver's appointment.
9 Not including the thousands of potential consumer creditors, the Receiver has
10 compiled a list of non-consumer creditors from receivership records and a small
11 number of potential consumer creditors who have affirmatively contacted the
12 Receiver for a refund. The Receiver has caused the known non-consumer creditors
13 and consumers who have contacted the Receiver for a refund to date to be served
14 with notice of this motion. The Receiver has also caused the motion to be served
15 on the parties to this action through their counsel of record. The Receiver will also
16 cause a copy of the notice of motion and motion, supporting memorandum and
17 declarations without voluminous exhibits to be posted on the Receiver's website for
18 this case at www.robbevans.com/html/homeland.html.

19 9. The Receiver believes there may be consumer creditors with claims
20 against one or more of the receivership entities. However, at this time, those
21 persons are not "known" to the Receiver both as to their identity, their location and
22 as to whether such consumers are in fact creditors with claims against the
23 receivership entities and the estate. The Receiver's analysis of the receivership
24 entities and potential consumer claimants is still in its early stage, and it is neither
25 practical nor cost-effective for the receivership estate to serve notice of the motion
26 at this time because there were thousands of consumers who may have done
27 business with the receivership entities. The Receiver therefore seeks an order
28 deeming that service of the notice of this motion and motion as set forth herein and

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without service on thousands of potential consumer claimants is appropriate and sufficient.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on April 5, 2007 at ^{Pasadena} ~~Sun Valley~~, California.


KENTON JOHNSON

1 accurately reflect the time entries regularly made by professionals at the Firm and
2 the services rendered and expenses incurred in connection with the McKenna
3 Firm's representation of its clients.

4 4. I have practiced law in the State of California for over 27 years and
5 have specialized in the representation of federal equity receivers in civil
6 enforcement actions filed by the Federal Trade Commission and the Securities and
7 Exchange Commission for more than seven years. I am familiar with the billing
8 rates charged by attorneys in the Southern California area and believe the rates
9 charged by the McKenna Firm in this matter and the fees and expenses requested
10 for the Third Expense Period are fair and reasonable given the nature of the services
11 rendered, the time expended, the expertise of the attorneys and others performing
12 services in this matter, the rates charged by other firms and attorneys in the
13 Southern California area and other factors.

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16 I declare under penalty of perjury that the foregoing is true and correct and
17 that this declaration was executed on April 5, 2007 at Los Angeles, California.

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19 
20 GARY OWEN CARIS