

ROBB EVANS & ASSOCIATES LLC

Receiver of

Universal Premium Services, Inc. AKA Premier Benefits, Inc.

Consumer Reward Network, Inc.

Star Communications LLC

Membership Services Direct, Inc. AKA Continuity Partners Inc.

Connect2USA, Inc., et al.

11450 Sheldon Street

Sun Valley, California 91352-1121

Telephone No.: (818) 768-8100

Facsimile No.: (818) 768-8802

Federal Trade Commission v. Universal Premium Services, Inc, et al.

CASE No. CV06-0849 SJO (OPx)

Notice of Motion and Motion for Order:

- (1) Approving and Authorizing Payment of Receiver's and Professionals' Fees and Expenses for the Period From April 1, 2006 Through September 30, 2006; and**
- (2) Granting Relief From Local Rule 66-7 Pertaining to Notice to Creditors;**

Memorandum of Points and Authorities; Declarations of Brick Kane and Gary Owen Caris in Support Thereof

Filed October 20, 2006

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ROBB EVANS & ASSOCIATES LLC

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

10
11 FEDERAL TRADE COMMISSION,

12 Plaintiff,

13 v.

14 UNIVERSAL PREMIUM SERVICES,
15 INC., a California corporation (also
known as Premier Benefits, Inc.), et al.,

16 Defendants.

CASE NO. CV06-0849 SJO (OPx)

**NOTICE OF MOTION AND
MOTION FOR ORDER (1)
APPROVING AND AUTHORIZING
PAYMENT OF RECEIVER'S AND
PROFESSIONALS' FEES AND
EXPENSES FOR THE PERIOD
FROM APRIL 1, 2006 THROUGH
SEPTEMBER 30, 2006; AND (2)
GRANTING RELIEF FROM
LOCAL RULE 66-7 PERTAINING
TO NOTICE TO CREDITORS;
MEMORANDUM OF POINTS AND
AUTHORITIES; DECLARATIONS
OF BRICK KANE AND GARY
OWEN CARIS IN SUPPORT
THEREOF**

Date: November 13, 2006
Time: 10:00 a.m.
Courtroom: 1600
Judge: Honorable S. James Otero

1 TO THE PARTIES TO THIS ACTION AND THEIR ATTORNEYS OF
2 RECORD AND TO ALL CREDITORS AND OTHER PARTIES IN INTEREST:

3 PLEASE TAKE NOTICE that on November 13, 2006, commencing at 10:00
4 a.m. or as soon as thereafter as counsel may be heard in Courtroom 1600 of the
5 above entitled Court located at 312 North Spring Street, Los Angeles, California
6 90012, Robb Evans & Associates LLC, the permanent receiver ("Receiver") over
7 the assets of Universal Premium Services, Inc. aka Premier Benefits, Inc.,
8 Consumer Reward Network, Inc., Star Communications, LLC, Membership Direct
9 Services, Inc. aka Continuity Partners, Inc., Connect2USA, Inc. and their
10 subsidiaries and affiliates (collectively, the "Receivership Defendants"), will and
11 does hereby move the Court for an order:

12 1. Approving and authorizing payment of the fees and expenses of the
13 Receiver for the six month period from April 1, 2006 through September 30, 2006
14 ("Second Expense Period") in the amount of \$140,660.53, comprised of \$91,942.47
15 representing fees and expenses of the Receiver and the Receiver's staff, and
16 \$48,718.06 representing fees and costs of the Receiver's counsel; and

17 2. Granting relief from Local Rule 66-7 pertaining to the giving of notice
18 to all creditors of the receivership estate.

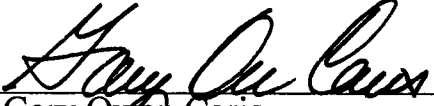
19 PLEASE TAKE FURTHER NOTICE that this Motion is made pursuant to
20 Local Rule 66-7(f), and is based upon this Notice of Motion and Motion, the
21 accompanying memorandum of points and authorities and declarations of Brick
22 Kane and Gary Owen Caris, and upon all other further pleadings, oral and
23 documentary evidence and argument of counsel as may be presented by the
24 Receiver at or before the time of the hearing on the Motion.

25 PLEASE TAKE FURTHER NOTICE that a copy of this Motion is posted on
26 the Receiver's website at www.robbevans.com/html/univprem.html, where it may
27 be reviewed in its entirety, except for the voluminous exhibits attached hereto.
28 Copies of this Motion will be provided to any interested party upon receipt of a

1 written request which may be sent to: Robb Evans & Associates LLC, Attn:
2 Cherrie Eustaquio, 11450 Sheldon Street, Sun Valley, CA 91352-1121; Telephone
3 (818) 768-8100; Facsimile: (818) 768-8802.

4
5 Dated: October 20, 2006

McKenna Long & Aldridge LLP
Gary Owen Caris
Lesley Anne Hawes
Erin M. Jackson

6
7
8 By: 
9 Gary Owen Caris
10 Attorneys for Receiver
11 ROBB EVANS & ASSOCIATES
12 LLC

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 On February 14, 2006, the Federal Trade Commission (“FTC”) commenced
4 this action against the Receivership Defendants as well as against Brian K.
5 MacGregor, Harijinder Sidhu, Joseph L. LaRosa, Jr., Pranot Sangpravit, William
6 Thomas Heichert, Michael Howard Cushing, Paul P. Tosi and Manh Cao
7 (collectively referred to hereinafter as “Defendants”). The FTC alleged that the
8 Defendants engaged in a deceptive and abusive telemarketing campaign in which
9 their telemarketers called consumers offering an attractive free item, such as gift
10 cards for use at major retailers, “shopping sprees,” movie passes, or gas vouchers.
11 Consumers were allegedly told that to receive the item, they must pay a nominal
12 shipping and handling fee, which would be debited from their bank account. After
13 obtaining the consumers’ bank account information, Defendants’ telemarketers
14 allegedly engaged in various deceptive and abusive tactics to induce consumers to
15 enroll in membership discount programs through which the consumers’ bank
16 accounts were to be debited on a negative option basis. Consumers reported that
17 the Defendants made numerous debits to the consumers’ bank accounts, in amounts
18 ranging from \$1.95 to \$149.90, but did not send the free item as promised. The
19 Defendants allegedly made it difficult, if not impossible, for the consumers to
20 obtain refunds and avoid additional debits to the consumers’ bank accounts,
21 notwithstanding the Defendants’ previous representations that consumers may
22 cancel their memberships and obtain refunds.

23 The Receiver was appointed by the Court pursuant to a Temporary
24 Restraining Order entered February 21, 2006. Thereafter, on March 21, 2006, the
25 Court issued multiple injunctions and orders: (1) Freezing Assets; (2) Appointing a
26 Permanent Receiver; and (3) Granting Other Equitable Relief (the “Receivership
27 Orders”). Under Section XIV of the Receivership Orders the Receiver is required
28 to file with the Court periodic requests for the payment of reasonable compensation,

1 with the first request filed no later than 60 days after the date of the Receivership
2 Orders. On May 19, 2006, the Receiver filed its first motion for the payment of its
3 fees and expenses covering the period from February 15, 2006 through March 31,
4 2006 ("First Expense Period"). The Court issued an order granting the motion and
5 authorizing the payment of fees and expenses incurred during the First Expense
6 Period on June 27, 2006.

7 By this motion, the Receiver seeks an order: (1) approving and authorizing
8 payment of fees and expenses of the Receiver, the Receiver's staff, and the
9 Receiver's counsel for the period from April 1, 2006 through September 30, 2006
10 ("Second Expense Period"); and (2) granting relief from Local Rule 66-7 pertaining
11 to the giving of notice to all creditors of the receivership estate and approving the
12 procedure for limited notice of this Motion by service of this Motion on all parties
13 to this action and creditors of the receivership estate who have served upon the
14 Receiver a written request for notice as provided herein, together with posting the
15 Motion on the Receiver's website, allowing all interested parties an opportunity to
16 review the Motion and providing copies upon written request.

17 **II. THE RECEIVER REQUESTS APPROVAL AND**
18 **AUTHORIZATION FOR THE PAYMENT OF THE FEES AND**
19 **EXPENSES OF THE RECEIVER, THE RECEIVER'S STAFF,**
20 **AND THE RECEIVER'S COUNSEL FOR THE PERIOD FROM**
21 **APRIL 1, 2006 THROUGH SEPTEMBER 30, 2006**

22 The Receiver seeks approval and authority for payment of the fees and
23 expenses of the Receiver, the Receiver's staff and the Receiver's counsel for the
24 period from April 1, 2006 through September 30, 2006. The fees and costs of the
25 Receiver for which approval is requested are specified in the summary entitled
26 "Receivership Fees and Expenses by Month," attached hereto as Exhibit 1. The
27 fees and costs of the Receiver are then itemized by the Receiver's fees (Exhibit 2
28 hereto), senior staff fee claims (Exhibit 3 hereto), and information technology

1 support staff fee claims (Exhibit 4 hereto). The fees and expenses of the Receiver's
2 outside counsel, McKenna Long & Aldridge LLP, are attached hereto as Exhibit 5.
3 As set forth in detail in Exhibits 1 through 5 hereto, the Receiver has incurred fees
4 of \$140,660.53, comprised of the Receiver's fees and expenses of \$91,942.47 and
5 legal fees and costs of \$48,718.06 during the six month Second Expense Period.

6 **A. Receiver's Services**

7 During the Second Expense Period, the Receiver engaged in numerous
8 activities to administer the Receivership Defendants and gather assets of the
9 Receivership Defendants for the receivership estate. In this case, this process was
10 made more difficult by the complicated business structure of the Receivership
11 Defendants, the large number of consumer creditors,¹ and the use of over 150
12 offshore telemarketing centers, among other factors.

13 In the initial period of the receivership, the Receiver took possession and
14 control over four separate locations where the Receivership Defendants' business
15 was operated. The Receiver conducted an exhaustive investigation of the structure
16 of the entities involved, which required multiple interviews of several Defendants
17 and property managers, searching and analyzing public records, and analyzing
18 voluminous corporate documents and other written material. The Receiver also
19 investigated in detail the products sold by the Receivership Defendants and the
20 methods employed to market those products. Additionally, in the preliminary
21 stages of the case, the Receiver compiled a list of sales activity of the Receivership
22 Defendants over an eight year period, tracking nearly \$150 million in sales, as well
23 as chargebacks, consumer initiated returns, and company-generated refunds.

24 The Receiver's work during the Second Expense Period has been far less
25 labor intensive, as reflected by fees and expenses of \$91,942.47 over a six month

26 ¹ Receivership Defendants sold over 1.6 million packages of various products and
27 services to consumers. While it is believed that many consumers bought more than
28 one package, the body of consumer creditors would still number in the hundreds of
thousands.

1 period contrasted with fees and expenses incurred in the First Expense Period of six
2 weeks totaling \$157,692.25. However, the Receiver has continued to take many
3 steps which have benefited the receivership estate.

4 During the Second Expense Period, the Receiver has continued to pursue
5 recovery of funds held by credit card processors and third parties. These efforts led
6 to the recovery of \$102,762.87 from International Payment Consultants, LLC in
7 April 2006. In conjunction with the Receiver's counsel, investigation by the
8 Receiver also led to the return of \$259,317.95 from Timothy Bice during the
9 Second Expense Period. Mr. Bice represented various of the Receivership
10 Defendants prior to the inception of the case. During this Second Expense Period,
11 the Receiver has also investigated properties owned by Midwest Properties or
12 Christine MacGregor and investigated the source of funds to purchase those
13 properties. The Receiver has continued to conduct an asset tracing and
14 investigation of property owned by Midwest Properties and Mrs. MacGregor.

15 The Receiver also coordinated the recovery and liquidation of personal
16 property assets held by the Receivership Defendants. Additionally, the Receiver
17 continued to communicate extensively with potential consumer claimants, analyzed
18 tax issues, and continued to reconcile the general ledger for the receivership entities
19 and ensure the accuracy of transactions posted to the receivership accounts.
20 Additionally, in conjunction with its counsel, the Receiver successfully negotiated a
21 settlement regarding two state court lawsuits involving First Regional Bank,
22 Electronic Clearing House, Inc. and Internet Transaction Services, Inc., pursuant to
23 which the receivership estate will soon receive at least \$438,619.93.

24 These activities have helped bring in an additional \$461,486.60 to the
25 receivership estate during the Second Expense Period. Including the amounts to be
26 received from the settlement of the two state court actions noted above, collections
27 since April 1, 2006 will exceed \$900,000.

28

1 The most labor intensive portion of the Receiver's functions during the
2 Second Expense Period related to services performed by the Receiver's information
3 technology support staff. Ed Roop, head of the Receiver's information technology
4 support staff, spent significant time securing key employee and consumer
5 information from desktops and servers to Receiver-controlled media and premises.
6 Additionally, he ran many custom inquiries researching consumer and key
7 employee information maintained in the Receivership Defendants' various
8 databases and files at the request of the Federal Trade Commission and the States of
9 Vermont and Wisconsin.

10 **B. Activities of the Receiver's Counsel**

11 During the Second Expense Period, Receiver's counsel took the lead in
12 negotiating the return of \$259,317.95 from Timothy Bice and settling the state court
13 litigation described above which will result in a payment to the estate of at least
14 \$438,619.93. The Receiver's counsel prepared the successful motion to approve
15 the settlement with First Regional Bank, Electronic Clearing House, Inc. and
16 Internet Transaction Services, Inc. In addition, the Receiver's counsel prepared the
17 successful motion to liquidate personal property and for approval of the Receiver's
18 first fee motion.

19 Additionally, the Receiver's counsel was responsible for preparing and
20 serving multiple subpoenas for records pertaining to various defendants as part of
21 the Receiver's ongoing efforts to trace assets of the receivership estate.

22 Counsel also had to spend time analyzing and developing strategies regarding
23 other pre-receivership litigation brought by certain of the Receivership Defendants,
24 including suits brought in North Carolina and Georgia. Also, Receiver's counsel
25 had to respond to numerous inquiries regarding the effect of the receivership and
26 pending FTC Action on various state enforcement actions in Wisconsin,
27 Connecticut, North Carolina and Vermont and develop and implement strategies
28 regarding the Receiver's position as to those matters.

1 Receiver's counsel continues to communicate with the Receiver and its staff,
2 counsel for the FTC and counsel for the Receivership Defendants regarding a
3 myriad of issues pertaining to the litigation, assets of the receivership estate and the
4 administration and management of the estate.

5 In light of the successful and extensive work performed during the Second
6 Expense Period, the Receiver submits that its fees and costs and those of its
7 professionals are reasonable and should be approved and authorized for payment in
8 their entirety.

9 **III. THE RECEIVER REQUESTS THAT THIS MOTION BE**
10 **GRANTED WITHOUT REQUIRING THE RECEIVER TO**
11 **GIVE WRITTEN NOTICE TO ALL CREDITORS**

12 The Receiver requests that this Motion be granted without requiring the
13 Receiver to give written notice to all known creditors pursuant to Local Rule 66-7.
14 Local Rule 66-7 applies to the following: (a) petitions for payment of dividends to
15 creditors; (b) petitions for confirmation of sales of real property and personal
16 property; (c) reports of the Receiver; (d) applications for instructions concerning
17 administration of the estate; (e) applications for discharge of the Receiver; and (f)
18 applications for fees and expenses of the Receiver, the attorney for the Receiver and
19 any other person appointed to aid the Receiver (collectively referred to as "Rule 66-
20 7 Motions").

21 Local Rule 66-7 requires that all "known" creditors of the Receivership
22 Defendants receive notice by mail of all Rule 66-7 Motions. In this case, there are
23 hundreds of thousands of consumers who are potential creditors in this case and
24 there are also over 60 vendor creditors. Further, the identity and address of each of
25 the consumers and vendor creditors is not currently known to the Receiver. If the
26 Receiver were required to give notice to all these creditors, such a requirement
27 would be burdensome, time consuming and expensive for the receivership estate,
28 including substantial photocopying and postage costs. Moreover, the Receiver

1 would likely be unable to comply with such a requirement as a practical matter
2 given that the identity and address of the consumers and all potential vendor
3 creditors have not been determined.

4 Based on the foregoing, the Receiver seeks an order providing that the notice
5 requirement for the hearing on this Motion shall be deemed satisfied if copies of
6 this Motion are served on: (a) all parties to this action; (b) all parties who have
7 served the Receiver with a written request for notice; and (c) all parties who request
8 a copy of the Motion in writing directed to: Robb Evans & Associates LLC, Attn:
9 Cherrie Eustaquio, 11450 Sheldon Street, Sun Valley, CA 91352-1121; Telephone:
10 (818) 768-8100; Facsimile: (818) 768-8802. The Receiver will post a copy of this
11 Motion on the Receiver's website for this case at
12 www.robbevans.com/html/univprem.html, allowing all interested parties an
13 opportunity to review the Motion and to submit a written request for service
14 thereof. This procedure for limited notice is reasonable in light of the large number
15 of potential consumers, and provides adequate notice while allowing for efficient,
16 cost-effective administration of the receivership estate.

17 There is ample authority for approval of the scope and method of limited
18 notice as set forth above. Local Rule 66-7 provides that the provisions of Local
19 Rule 6-1 apply to notice of Rule 66-7 Motions. Local Rule 6-1 in turn provides for
20 the filing and service of written notices of motion "unless otherwise provided by
21 rule or ordered by the Court." This Court, as a court of equity supervising the
22 receivership estate, may make appropriate administrative orders governing the
23 receivership, including limitations on and changes in notice and other procedures.
24 See F.R. Civ. P. 5(a) and (c) (authorizing the court to modify service procedures
25 when numerous defendants are involved in litigation). Pursuant to Local Rules 66-
26 8, a receiver is directed to administer receivership estates "as nearly as possible in
27 accordance with the practice in administration of estates in bankruptcy." Orders
28 limiting notice when the Bankruptcy Code or Rules would otherwise require notice

1 to all creditors are routinely granted in bankruptcy cases to promote the expeditious
2 and economical administration of bankruptcy estates. See In re First Alliance
3 Mortgage Co., 269 B.R. 428, 442 (C.D. Cal. 2001) (referencing in dicta in the
4 court’s recitation of facts the bankruptcy court’s order limiting notice issued in that
5 case); 11 U.S.C. § 102(1)(A) (defining the phrase “after notice and a hearing” to
6 mean “after such notice as is appropriate in the particular circumstances, and such
7 opportunity for hearing as is appropriate in the particular circumstances”);
8 11.U.S.C. § 105(a) and (d) (granting broad equitable powers to the court to issue
9 orders “necessary or appropriate to carry out the provisions” of title 11 including
10 “prescribing such limitations and conditions as the court deems appropriate to
11 ensure the case is handled expeditiously and economically”); and F.R. Bankr. P.
12 2002(m) (authorizing the court to enter “orders designating the matters in respect to
13 which, the entity to whom, and the form and manner in which notices shall be sent
14 except as otherwise provided by these rules”).

15 **IV. CONCLUSION**

16 Based on the foregoing, the Receiver respectfully requests that this Court
17 grant this Motion and issue an order: (1) approving and authorizing for payment
18 the fees and costs of the Receiver and his professionals incurred from April 1, 2006

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1 through September 30, 2006; and (2) approving limited notice of this Motion
2 pursuant to the procedures outlined herein, without the need to provide all known
3 creditors of the estate notice by mail as required by Local Rule 66-7.

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5 Dated: October 20, 2006

McKenna Long & Aldridge LLP
Gary Owen Caris
Lesley Anne Hawes
Erin M. Jackson

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By: 

Gary Owen Caris
Attorneys for Receiver
ROBB EVANS & ASSOCIATES
LLC

1 **DECLARATION OF BRICK KANE**

2 I, Brick Kane, declare:

3 1. I am a principal of Robb Evans & Associates LLC, the entity
4 appointed by this Court as permanent receiver over the assets of Universal Premium
5 Services, Inc. aka Premier Benefits, Inc., Consumer Reward Network, Inc., Star
6 Communications, LLC, Membership Direct Services, Inc. aka Continuity Partners,
7 Inc., Connect2USA, Inc. and their subsidiaries and affiliates (collectively, the
8 “Receivership Defendants”) in connection with the above referenced matter. I have
9 personal knowledge of the matters set forth in this declaration or have gained
10 knowledge of these matters based upon my supervision of other members and staff
11 of Robb Evans & Associates LLC involved in the day to day management of this
12 receivership estate. If called upon to testify as to these matters, I could and would
13 competently testify thereto.

14 2. Robb Evans & Associates LLC was appointed as the temporary
15 receiver pursuant to a Temporary Restraining Order entered on February 21, 2006.
16 Thereafter, on March 21, 2006, Robb Evans & Associates LLC was appointed as
17 permanent receiver (“Receiver”) pursuant to multiple injunctions and orders: (1)
18 Freezing Assets; (2) Appointing a Permanent Receiver; and (3) Granting Other
19 Equitable Relief (the “Receivership Orders”). Under Section XIV of the
20 Receivership Orders, the Receiver is required to file with the Court periodic
21 requests for the payment of reasonable compensation, with the first request filed no
22 later than 60 days after the date of the Receivership Orders. On May 19, 2006, the
23 Receiver filed its first motion for the payment of its fees and expenses covering the
24 period from February 15, 2006 through March 31, 2006 (“First Expense Period”).
25 The Court issued an order granting the motion and authorizing the payment of fees
26 and expenses incurred during the First Expense Period on June 27, 2006.

27 3. By this motion, the Receiver seeks an order approving and authorizing
28 payment of the Receiver’s fees and expenses, as well as the fees and expenses of

1 the Receiver's staff and counsel for the period from April 1, 2006 through
2 September 30, 2006 ("Second Expense Period"). The fees and costs for which
3 approval is requested are set forth in the summary which my office has prepared
4 entitled "Receivership Fees and Expenses by Month" attached hereto as Exhibit 1.
5 The fees and costs are further detailed in Exhibits 2-5, attached hereto, redacted
6 where appropriate to preserve the attorney-client privilege or to otherwise protect
7 the Receiver and the estate from inappropriate disclosures. Specifically, the
8 Receiver's fees are itemized as Exhibit 2, senior staff fee claims are itemized in
9 Exhibit 3, and information technology support staff fee claims are itemized in
10 Exhibit 4. The fees and expenses of the Receiver's outside counsel, McKenna
11 Long & Aldridge LLP are attached as Exhibit 5 and are described in more detail in
12 the accompanying declaration of Gary Owen Caris. As specified in detail in
13 Exhibits 1-5 hereto, the Receiver has incurred \$140,660.53 in fees and expenses for
14 the period from April 1, 2006 through September 30, 2006, comprised of
15 Receiver's fees and expenses of \$91,942.47 and legal fees and costs of \$48,718.06.

16 4. During the Second Expense Period, the Receiver engaged in numerous
17 activities to administer the Receivership Defendants and gather assets of the
18 Receivership Defendants for the receivership estate. In this case, this process was
19 made more difficult by the complicated business structure of the Receivership
20 Defendants, the large number of consumer creditors, and the use of over 150
21 offshore telemarketing centers, among other factors.

22 5. In the initial period of the receivership, the Receiver took possession
23 and control over four separate locations where the Receivership Defendants'
24 business was operated. The Receiver conducted an exhaustive investigation of the
25 structure of the entities involved, which required multiple interviews of several
26 Defendants and property managers, searching and analyzing public records, and
27 analyzing voluminous corporate documents and other written material. The
28 Receiver also investigated in detail the products sold by the Receivership

1 Defendants and the methods employed to market those products. Additionally, in
2 the preliminary stages of the case, the Receiver compiled a list of sales activity of
3 the Receivership Defendants over an eight year period, tracking nearly \$150 million
4 in sales, as well as chargebacks, consumer initiated returns, and company-generated
5 refunds.

6 6. The Receiver's work during the Second Expense Period has been far
7 less labor intensive, as reflected by fees and expenses of \$91,942.47 over a six
8 month period contrasted with fees and expenses incurred in the First Expense
9 Period of six weeks totaling \$157,692.25. However, we have continued to take
10 many steps which have benefited the receivership estate.

11 7. During the Second Expense Period, the Receiver has continued to
12 pursue recovery of funds held by credit card processors and third parties. These
13 efforts led to the recovery of \$102,762.87 from International Payment Consultants,
14 LLC in April 2006. In conjunction with our counsel, the Receiver's investigation
15 also led to the return of \$259,317.95 from Timothy Bice during the Second
16 Expense Period. Mr. Bice represented various of the Receivership Defendants prior
17 to the inception of the case. During this Second Expense Period, the Receiver has
18 also investigated properties owned by Midwest Properties or Christine MacGregor
19 and investigated the source of funds to purchase those properties. The Receiver has
20 continued to conduct an asset tracing and investigation of property owned by
21 Midwest Properties and Mrs. MacGregor.

22 8. The Receiver also coordinated the recovery and liquidation of personal
23 property assets held by the Receivership Defendants. Additionally, the Receiver
24 continued to communicate extensively with potential consumer claimants, analyzed
25 tax issues, and continued to reconcile the general ledger for the receivership entities
26 and ensure the accuracy of transactions posted to the receivership accounts.
27 Additionally, in conjunction with its counsel, the Receiver successfully negotiated a
28 settlement regarding two state court lawsuits involving First Regional Bank,

1 Electronic Clearing House, Inc. and Internet Transaction Services, Inc., pursuant to
2 which the receivership estate will soon receive at least \$438,619.93.

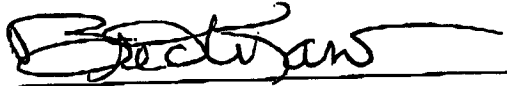
3 9. These activities have helped bring in an additional \$461,486.60 to the
4 receivership estate during the Second Expense Period. Including the amounts to be
5 received from the settlement of the two state court actions noted above, collections
6 since April 1, 2006 will exceed \$900,000.

7 10. The most labor intensive portion of the Receiver's functions during the
8 Second Expense Period related to services performed by the Receiver's information
9 technology support staff. Ed Roop, head of the Receiver's information technology
10 support staff, spent significant time securing key employee and consumer
11 information from desktops and servers to Receiver-controlled media and premises.
12 Additionally, he ran many custom inquiries researching consumer and key
13 employee information maintained in the Receivership Defendants' various
14 databases and files at the request of the Federal Trade Commission and the States of
15 Vermont and Wisconsin.

16 11. I have reviewed the receivership records and have determined that the
17 Receivership Defendants sold over 1.6 million packages for various products and
18 services to consumers. While it is believed that many consumers bought more than
19 one package, the total number of consumers who are potential creditors is in the
20 hundreds of thousands, if not more. The identity of each of the consumer creditors
21 is not currently known. There are also over 60 vendor creditors. It is not
22 economically feasible to serve all creditors in connection with this Motion.

23 12. A copy of this Motion is posted on the Receiver's website at
24 www.robbevans.com/html/univprem.html, where it may be reviewed in its entirety.
25 Copies of this Motion will be provided to any interested party upon receipt of a
26 written request which may be sent to: Robb Evans & Associates LLC, Attn:
27 Cherrie Eustaquio, 11450 Sheldon Street, Sun Valley, CA 91352-1121; Telephone
28 (818) 768-8100; Facsimile: (818) 768-8802.

1 I declare under penalty of perjury that the foregoing is true and correct and
2 that this declaration was executed on October 20 2006, at Sun Valley, California.
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BRICK KANE

DECLARATION OF GARY OWEN CARIS

I, Gary Owen Caris, declare:

1. I am an attorney at law duly licensed before all courts of the State of California and the United States District Court for the Central District of California and am a member of the firm of McKenna Long & Aldridge LLP, attorneys for Robb Evans & Associates LLC (“Receiver”) in this case. I am the attorney primarily responsible for the representation of the Receiver in this matter. If called upon to testify as to the matters set forth in this declaration, I could and would competently testify to these matters as they are personally known to me to be true.

2. Attached hereto as Exhibit 5 are billing summaries reflecting the services rendered, time spent and costs incurred by our firm pertaining to this matter for the period from April 1, 2006 through September 30, 2006 (the “Second Expense Period”), with descriptions redacted where appropriate to preserve the attorney-client privilege and attorney work-product privilege or to otherwise protect the Receiver and the estate from inappropriate disclosures. Attorneys’ fees incurred by my firm during this time period total \$48,718.06.

3. During the Second Expense Period, Receiver’s counsel took the lead in negotiating the return of \$259,317.95 from Timothy Bice and settling the state court litigation described in the motion which will result in a payment to the estate of at least \$438,619.93. The Receiver’s counsel prepared the successful motion to approve the settlement with First Regional Bank, Electronic Clearing House, Inc. and Internet Transaction Services, Inc. In addition, the Receiver’s counsel prepared the successful motion to liquidate personal property and for approval of the Receiver’s first fee motion.

4. Additionally, the Receiver’s counsel was responsible for preparing and serving multiple subpoenas for records pertaining to various defendants as part of the Receiver’s ongoing efforts to trace assets of the receivership estate.

1 I declare under penalty of perjury that the foregoing is true and correct and
2 that this declaration was executed on this 20th day of October 2006 at Los
3 Angeles, California.

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6 GARY OWEN CARIS

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