

**ROBB EVANS & ASSOCIATES LLC**

**Receiver of**

**World Traders Association, Inc.; United Traders Association, Inc.; International Merchandise Group, Inc.; Trans-global Connection, Inc.; Musketeer Partners, Inc.; Fulfillment Options, Inc.**

**and**

**Certain Real Property Assets of Sheldon Fidler and Judith T. Fidler**

11450 Sheldon Street

Sun Valley, California 91352-1121

Telephone No.: (818) 768-8100

Facsimile No.: (818) 768-8802

**Federal Trade Commission v. World Traders Association, Inc, et al.  
CASE No. CV-05 0591 AHM (CTx)**

**Notice of Motion and Motion for Order:**

- (1) Approving and Authorizing Payment of Receiver's and Attorneys' Fees and Cost [November 1, 2005 Through December 31, 2007];**
- (2) Approving and Authorizing Payment of Fees and Costs and Attorneys' Fees and Costs Previously Denied Without Prejudice;**
- (3) Approving Report of Receiver's Activities for the Period of February 11, 2005 Through February 15, 2008; and**
- (4) Limiting Notice under Local Rule 66-7 in Connection Therewith; Memorandum of Points and Authorities, Declaration of Gary Owen Caris in Support Thereof  
[Declaration of Kenton Johnson Filed Concurrently Herewith]**

**Filed March 27, 2008**

1 GARY OWEN CARIS (SBN 088918)  
gcaris@mckennalong.com  
2 LESLEY ANNE HAWES (SBN 117101)  
lhawes@mckennalong.com  
3 MCKENNA LONG & ALDRIDGE LLP  
444 South Flower Street, 8th Floor  
4 Los Angeles, CA 90071  
Telephone: (213) 688-1000  
5 Facsimile: (213) 243-6330

6 Attorneys for Permanent Receiver,  
**ROBB EVANS & ASSOCIATES LLC**

7  
8 **UNITED STATES DISTRICT COURT**  
9 **CENTRAL DISTRICT OF CALIFORNIA**

10  
11 FEDERAL TRADE COMMISSION,  
12 Plaintiff,  
13 v.  
14 WORLD TRADERS  
ASSOCIATION, INC., et al.,  
15 Defendants.  
16

CASE NO. CV-05 0591 AHM (CTX)

**NOTICE OF MOTION AND MOTION FOR ORDER: (1) APPROVING AND AUTHORIZING PAYMENT OF RECEIVER'S AND ATTORNEYS' FEES AND COSTS [NOVEMBER 1, 2005 THROUGH DECEMBER 31, 2007]; (2) APPROVING AND AUTHORIZING PAYMENT OF FEES AND COSTS AND ATTORNEYS' FEES AND COSTS PREVIOUSLY DENIED WITHOUT PREJUDICE; (3) APPROVING REPORT OF RECEIVER'S ACTIVITIES FOR THE PERIOD OF FEBRUARY 11, 2005 THROUGH FEBRUARY 15, 2008; AND (4) LIMITING NOTICE UNDER LOCAL RULE 66-7 IN CONNECTION THEREWITH; MEMORANDUM OF POINTS AND AUTHORITIES, DECLARATION OF GARY OWEN CARIS IN SUPPORT THEREOF**

**[DECLARATION OF KENTON JOHNSON FILED CONCURRENTLY HEREWITH]**

DATE: April 21, 2008  
TIME: 10:00 a.m.  
PLACE: Courtroom 14

1 PLEASE TAKE NOTICE THAT on April 21, 2008 commencing at 10:00  
2 a.m., or as soon thereafter as the parties may be heard in Courtroom 14 of the  
3 above-entitled Court located at 312 N. Spring Street, Los Angeles, California, Robb  
4 Evans & Associates LLC as permanent receiver ("Receiver") for World Traders  
5 Association, Inc., United Traders Association, Inc., International Merchandise  
6 Group, Inc., Trans-Global Connection, Inc., Musketeer Partners, Inc., Fulfillment  
7 Options, Inc., and its affiliates and subsidiaries ("Receivership Defendants") will  
8 and does hereby move the Court for the following relief:

9 1. An order approving and authorizing payment of the Receiver's fees  
10 and costs and the Receiver's attorneys' fees and costs incurred for the period from  
11 November 1, 2005 through December 31, 2007 ("Current Fee Period"), covering a  
12 26-month period. The Receiver seeks approval and authorization for payment of  
13 Receiver's fees and costs of \$33,472.56 and attorneys' fees and costs of \$24,949.28  
14 incurred during the 26 months of the Current Fee Period;

15 2. An order approving and authorizing payment of the Receiver's fees  
16 and costs and the Receiver's attorneys' fees and costs incurred during the prior fee  
17 period from June 1, 2005 through October 31, 2005 ("Prior Fee Period") previously  
18 denied without prejudice pursuant to the Court's Order entered December 8, 2005.  
19 Specifically, the Receiver renews its request for approval and payment of the  
20 unpaid balance of \$7,329.71 for Receiver's fees and costs and the unpaid balance of  
21 \$14,718.89 of unpaid attorneys' fees and costs for the Prior Fee Period which the  
22 Court denied without prejudice to the Receiver seeking payment of such fees and  
23 costs in connection with a subsequent fee motion. In addition, the Receiver  
24 requests authority to pay \$15,993.58 in attorneys' fees and costs due but unpaid to  
25 defendants' former counsel, Foley & Lardner, which amount was also denied  
26 without prejudice pursuant to the Court's December 8, 2005 order.

1           3.     An order approving the Report of Receiver's Activities for the period  
2 of February 11, 2005 through February 15, 2008 filed on February 21, 2008 and  
3 confirming the activities of the Receiver described therein; and

4           4.     An order limiting notice of this Motion by providing that notice is  
5 sufficient if the Receiver serves the Motion on the parties to this action, causes a  
6 copy of the Motion, without voluminous exhibits, to be posted on the Receiver's  
7 website at [www.robbevans.com/html/worldta.html](http://www.robbevans.com/html/worldta.html), where it may be viewed in its  
8 entirety exclusive of exhibits, and provides a complete copy of the Motion to any  
9 interested party who requests a copy from the Receiver's office in writing directed  
10 to Robb Evans & Associates LLC, 11450 Sheldon Street, Sun Valley, California  
11 91352-1121, facsimile number (818) 768-8802, Attention: Cherrie Eustaquio. The  
12 Receiver specifically seeks relief from the notice requirements of Local Rule 66-7  
13 which would otherwise require service of notice of the hearing on the Motion on  
14 approximately 4,382 aggrieved consumers who are potential creditors in this case in  
15 addition to the parties and approximately 32 pre-receivership vendor creditors, as  
16 providing written notice to those potential creditors would be unduly burdensome,  
17 time-consuming and expensive for the receivership estate.

18           PLEASE TAKE FURTHER NOTICE that this motion is made pursuant to  
19 Local Rule 66-7(c) and (f) and is based upon this notice of motion and motion, the  
20 memorandum of points and authorities and declarations of Kenton Johnson and  
21 Gary Owen Caris in support hereof filed concurrently herewith, upon the pleadings,  
22 records and files of the Court in this action of which the Receiver requests the Court

23 //

24 //

25 //

26 //

27 //

28 //

1 take judicial notice, and upon such other pleadings and oral and documentary  
2 evidence as may be presented at or before the time of hearing on the motion.

3 Dated: March 27, 2008

Respectfully submitted,

MCKENNA LONG & ALDRIDGE LLP

6  
7 By: /s/ Gary Owen Caris

Gary Owen Caris  
Lesley Anne Hawes

8 Attorneys for Permanent Receiver,  
9 **ROBB EVANS & ASSOCIATES**  
10 **LLC**

1 **MEMORANDUM OF POINT AND AUTHORITIES**

2 **I. SUMMARY OF FACTS AND STATUS OF RECEIVERSHIP**

3 This action was commenced on or about January 21, 2005 by the Federal  
4 Trade Commission against World Traders and other entities as well as the  
5 individual defendants Sheldon Fidler, Judith Fidler, Shannon Holden, Jaime  
6 Klotthor, Jennifer Klotthor and Scott Rinaldo asserting various violations of the  
7 FTC Act and the FTC's rules ("FTC Action").

8 The Receiver was initially appointed as temporary receiver pursuant to this  
9 Court's Ex Parte Temporary Restraining Order With Asset Freeze, Appointment of  
10 Receiver and Other Equitable Relief, filed January 25, 2005. Thereafter, the  
11 Receiver was appointed as permanent receiver pursuant to the Stipulated  
12 Preliminary Injunction with Asset Freeze, Appointment of Receiver, and Other  
13 Equitable Relief filed February 22, 2005. Subsequently, by Order Expanding the  
14 Receivership Estate to Include Certain Real Property Assets of Individual  
15 Defendants Sheldon Fidler and Judith Takala Fidler entered April 6, 2005, the  
16 receivership estate was expanded to include certain real property located at 29 Via  
17 Mira Monte, Henderson, Nevada 89011 ("Nevada Property") and 10923 Landale  
18 St. #4, Toluca Lake, California 91602 ("Toluca Lake Property"). As to the Nevada  
19 Property, the Receiver was ordered to take possession and sell it, holding the  
20 proceeds until further Court order. The Nevada Property was sold pursuant to this  
21 order on or about October 13, 2005. As to the Toluca Lake Property, the Receiver  
22 was ordered to take possession but not sell or dispossess Sheldon Fidler and Judith  
23 Fidler (collectively, the "Fidlers"). Thereafter, pursuant to the Court's minute order  
24 dated December 5, 2005, the Receiver was ordered to pay monthly expenses on the  
25 Toluca Lake Property on an ongoing basis. The Receiver has been ordered not to  
26 sell the Toluca Lake Property under the Court orders. Pursuant to the Court orders,  
27 the Receiver makes monthly payments in connection with the Toluca Lake Property  
28 of approximately \$2,800, including mortgage payments, association dues and

1 insurance, about \$34,000 per year and also pays property taxes at the rate of  
2 approximately \$2,800 per year.

3 The FTC has obtained stipulated judgments resolving its claims against all of  
4 the individual defendants other than Sheldon Fidler and Judith Takala Fidler. By  
5 Court order filed August 4, 2006, the FTC Action was stayed with respect to the  
6 Fidlers pending final disposition, including appeals, of the criminal case, United  
7 States v. Sheldon Fidler and Judith Fidler, CR 06-508 (CD CA 2006).

8 Subsequently, the Fidlers each entered guilty pleas in the criminal case, and on  
9 October 1, 2007, the Fidlers were sentenced in the criminal action, concluding the  
10 criminal proceedings against them and providing the basis for the civil action to  
11 proceed.

12 After the Fidlers were sentenced and the criminal action concluded, the FTC  
13 and the Fidlers engaged in settlement negotiations in an effort to resolve this action.  
14 On February 25, 2008, the FTC filed a report on the status of its settlement  
15 negotiations with the Fidlers which indicates that the FTC and the Fidlers have  
16 reached agreement on the substantive terms of a settlement that would resolve the  
17 litigation, subject to the FTC obtaining the necessary authorizations to execute and  
18 file the proposed stipulated judgments.

19 The sole assets remaining in the receivership estate consist of (a) cash on  
20 hand in the net amount of \$35,547.00 after taking into account expenses incurred  
21 and paid as well as those for which requests for payment are pending, (b) the  
22 Toluca Lake Property, as to which the estate continues to incur expenses of  
23 approximately \$3,100 per month pursuant to the Court's prior orders, and (c) a Las  
24 Vegas golf club membership with an unknown value. Possibility of any collection  
25 on the membership is remote as there is a buyback period of more than two years,  
26 and there are currently no other interested buyers. The \$35,547.00 figure is also net  
27 of unpaid amounts requested by defense counsel, Foley & Lardner, former counsel  
28 for the Fidlers. Pursuant to the Court's December 8, 2005 Order, the Receiver was

1 ordered to pay a portion of the fees and costs (\$30,000) sought by Foley & Lardner  
2 and the Court denied payment of the balance of \$15,993.58 without prejudice to a  
3 further motion being brought for payment of the remaining fees due Foley &  
4 Lardner, which the Receiver hereby requests be paid as part of the relief sought in  
5 his Motion.

6 **II. THE RECEIVER SEEKS (A) APPROVAL OF THE RECEIVER'S**  
7 **REPORT FILED FEBRUARY 21, 2008, (B) APPROVAL AND**  
8 **PAYMENT OF FEES AND EXPENSES FOR THE CURRENT FEE**  
9 **PERIOD AND (C) AUTHORITY TO PAY THOSE DENIED**  
10 **WITHOUT PREJUDICE FOR THE PRIOR FEE PERIOD**

11 From the outset of the receivership, the assets of the receivership entities  
12 have been limited. As reported in the Report of Receiver's Activities filed  
13 February 21, 2008 ("Permanent Receiver's Report"), for which approval is sought  
14 herein, at the outset of the case the assets of these entities consisted of a limited  
15 amount of cash on hand of approximately \$42,300 and certain office equipment and  
16 furniture of limited value. The Receiver estimated the liquidation value of the  
17 office equipment and furniture at \$20,000. The Receiver later sold that personal  
18 property with a net recovery to the estate after auctioneer's fees and costs of  
19 \$21,445.33.

20 The Permanent Receiver's Report filed February 21, 2008 describes the  
21 Receiver's administration of various receivership assets discussed below. In  
22 addition, the Report addresses the Receiver's inability to locate a buyer for one of  
23 the assets, a golf club membership, and the other activities engaged in by the  
24 Receiver during the case to maintain and preserve estate assets pursuant to the  
25 Court's direction and orders.

26 As reported in the Permanent Receiver's Report, subsequently, the Court  
27 authorized the Receiver to take possession and control of the Nevada Property and  
28 to sell that property by private sale subject to overbids. The Nevada Property was



1 encumbered. After payment of closing costs, commissions and liens and  
2 encumbrances, the Receiver recovered net sale proceeds for the estate of  
3 \$371,569.83 from the Nevada Property.

4 The Permanent Receiver's Report also addresses other assets of the estate,  
5 including two golf club memberships at different exclusive golf clubs. The  
6 Receiver was able to market and sell one of the golf club memberships for a net  
7 return of \$75,810.18 for the estate. The Receiver has attempted to market the other  
8 golf club membership which is a membership to the exclusive Lake Las Vegas Golf  
9 Club. However, the membership is subject to restrictions on its sale, and the  
10 depressed real estate market also limits the marketability of the membership. At  
11 this time, the Receiver has not been able to locate any willing purchasers for this  
12 membership.

13 The Receiver has also continued to administer the Toluca Lake Property.  
14 Pursuant to the Court's prior orders, the Receiver has continued to pay the expenses  
15 for the Toluca Lake Property. During the Current Fee Period, the Receiver was  
16 advised of a proposed special assessment against the Toluca Lake Property of  
17 \$20,000 by the homeowners' association. The Receiver, through counsel, filed a  
18 motion for instructions as to whether the Receiver should pay the proposed special  
19 assessment from receivership assets, and if the Court determined payment of the  
20 special assessment from such assets was appropriate, for an instruction from the  
21 Court directing the Receiver to make such payment. The Receiver's motion for  
22 instructions was filed, responses were filed by the parties as well as by the  
23 homeowners' association, a reply was filed by the Receiver and the Court  
24 ultimately determined that the Receiver should pay the \$20,000 special assessment  
25 from receivership assets.

26 The Receiver and its counsel also continued to monitor this case during the  
27 Current Fee Period, including reviewing all pleadings filed in the case during the  
28 Current Fee Period. The Receiver, through its counsel, responded to two motions

1 filed by the Fidlers during the Current Fee Period. The Fidlers filed a motion to  
2 stay this case pending the resolution of potential criminal proceedings against them.  
3 The motion was filed in July 2006, and the Court ultimately entered an order  
4 staying this action against the Fidlers based on the criminal action. That order,  
5 entered August 4, 2006, also confirmed that the provisions of the Court's  
6 preliminary injunction order, including the receivership provisions, remained in full  
7 force and effect notwithstanding the stay.

8 The Fidlers also filed a motion to release up to \$10,000 of receivership assets  
9 to pay for an attorney to review the proposed stipulated judgments negotiated by the  
10 Fidlers with the FTC. The motion was filed in January 2007 together with an ex  
11 parte application by the Fidlers to set a shortened time hearing on their motion. The  
12 Receiver responded to the Fidlers' motion to release receivership funds and the  
13 FTC opposed the motion. The Court denied the motion by minute order entered  
14 February 26, 2007.

15 During the Current Fee Period, the FTC also filed stipulated judgments with  
16 the other individual defendants in the case, including Shannon Holden and Scott  
17 Rinaldo in March 2006 and Jennifer Klotthor and Jaime Klotthor in February 2007  
18 which the Receiver and its counsel reviewed and monitored. The Receiver through  
19 counsel filed a motion for approval of fees and expenses for the Prior Expense  
20 Period. That motion also included a request for relief to address the effect of a  
21 voluntary Chapter 7 bankruptcy filing by Judith Fidler on the Receiver's powers  
22 and duties with respect to the assets to which title was held in the names of Judith  
23 and/or Sheldon Fidler which were claimed as part of Judith Fidler's bankruptcy  
24 estate. The Court granted the Receiver's request to continue in exclusive  
25 possession and control of those assets pursuant to the Court's preliminary  
26 injunction order and subsequent orders in this case by the Court's December 8,  
27 2005 Order.

28

1 The Receiver's fees and expenses incurred during the Current Expense  
2 Period total \$33,472.56, and the aggregate fees and expenses sought by the  
3 Receiver in this Motion, including the fees and expenses sought in the Prior Fee  
4 Period for which payment has not been authorized of \$7,329.71, equal \$40,802.27.  
5 The Receiver's fees and costs incurred during the Current Fee Period average less  
6 than \$1,300 per month for this 26-month period.

7 The Receiver's attorneys' fees and costs incurred during the Current Expense  
8 Period total \$24,949.28, and the aggregate fees and costs sought by the Receiver in  
9 this Motion on behalf of its counsel, including the fees and expenses sought in the  
10 Prior Fee Period for which payment has not been authorized of \$14,718.89, equal  
11 \$39,668.17. The attorneys' fees and costs incurred for the services of the  
12 Receiver's counsel during the Current Expense Period average approximately \$960  
13 per month during that 26-month period.

14 The Receiver submits that the fees and costs incurred for the work of the  
15 Receiver and its staff and the services of its attorneys are fair and reasonable under  
16 the circumstances. The receivership estate has sufficient funds to satisfy these fees  
17 and costs. The Receiver respectfully submits the fees and costs incurred both for  
18 the Current Fee Period and the unpaid fees and costs remaining from the Prior Fee  
19 Period should be approved and ordered paid in full.

20 **III. THE RECEIVER REQUESTS THAT THIS MOTION BE GRANTED**  
21 **WITHOUT REQUIRING THE RECEIVER TO GIVE WRITTEN**  
22 **NOTICE TO ALL CREDITORS**

23 The Receiver requests that this motion be granted without requiring the  
24 Receiver to give written notice to all creditors pursuant to Local Rule 66-7. Local  
25 Rule 66-7(c) applies to applications for approval of receiver's reports and Local  
26 Rule 66-7(f) applies to motions for approval of receiver's and counsel's fees and  
27 expenses.

1 Local Rule 66-7 requires that all "known" creditors of the receivership  
2 Defendants receive notice by mail of all Rule 66-7 motions. In this case, there are  
3 approximately 4,382 aggrieved consumers who are potential creditors in this case.  
4 There are also approximately 32 other creditors, including vendor creditors and  
5 employees. Providing notice of this ex parte application to all such creditors and  
6 potential creditors would be burdensome, time-consuming and expensive for the  
7 receivership estate. Given the limited funds on hand, such expenses are not  
8 warranted.

9 Based on the foregoing, the Receiver seeks an order providing that the notice  
10 requirement for the hearing on this motion shall be deemed satisfied by service of  
11 the motion on parties to this action and by posting the motion on the Receiver's  
12 website. This procedure for limited notice is reasonable in light of the large number  
13 of aggrieved consumers and the issues at stake in the motion, and provides adequate  
14 notice while allowing for efficient, cost-effective administration of the receivership  
15 estate. This is particularly important where the estate has limited and dissipating  
16 assets.

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 Rule 66-8,  
26 a receiver is directed to administer receivership estates "as nearly as possible in  
27 accordance with the practice in the 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. section 102(1)(A) (defining the phrase "after notice and a hearing"  
6 to mean "after such notice as is appropriate in the particular circumstances, and  
7 such opportunity for hearing as is appropriate in the particular circumstances"); 11  
8 U.S.C. section 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 For the foregoing reasons, the Receiver requests that the Court grant relief as  
17 requested in the Motion.

18 Dated: March 27, 2008

Respectfully submitted,

MCKENNA LONG & ALDRIDGE LLP  
GARY OWEN CARIS  
LESLEY ANNE HAWES

22  
23 By: /s/ Gary Owen Caris  
Gary Owen Caris

24 Attorneys for Permanent Receiver,  
25 **ROBB EVANS & ASSOCIATES**  
26 **LLC**

**DECLARATION OF GARY OWEN CARIS**

I, Gary Owen Caris, declare:

1. I am an attorney at law duly admitted to practice before the courts of the State of California and before the United States District Court for the Central District of California and was formerly a member of the firm of Frandzel Robins Bloom & Csato, L.C. ("Frandzel Firm"), the attorneys for Robb Evans & Associates LLC as Receiver in this case ("Receiver") until January 30, 2006 and since January 30, 2006, I have been a member of the firm of McKenna Long & Aldridge LLP, present counsel of record for the Receiver in this matter. If called upon to testify as to the facts set forth in this declaration, I could and would testify competently thereto as the facts are personally known to me to be true.

2. I was the partner at the Frandzel Firm primarily responsible for the representation of the Receiver in this matter, and at the McKenna Firm, I have also been lead counsel for the Receiver primarily responsible for the Receiver's representation in this matter.

3. Attached hereto as Exhibit 1 are true and correct copies of billing summaries reflecting the services rendered, time spent and costs incurred by the Frandzel Firm pertaining to this matter from November 1, 2005 through January 31, 2006, with the descriptions redacted where appropriate to preserve descriptions containing confidential, tactical, strategic, attorney-client privileged and/or attorney work-product information. These redactions are made in particular in connection with attorney-client communications. Attached hereto as Exhibit 2 are true and correct copies of billing summaries reflecting the services rendered, time spent and costs incurred by the McKenna Firm for the period from February 1, 2006 through December 31, 2007. The total amounts incurred for attorneys' fees and costs combined for the Frandzel Firm and the McKenna Firm for the period from November 1, 2005 through December 31, 2007 was \$24,949.28. The attorneys' fees and costs incurred for the services of the Receiver's counsel during the Current

1 Expense Period average approximately \$960 per month during that 26-month  
2 period. The aggregate attorneys' fees and costs sought in this Motion, including the  
3 fees and expenses sought in the Prior Fee Period for which payment has not been  
4 authorized of \$14,718.89, equal \$39,668.17.

5 5. I was employed by the Frandzel Firm for over 25 years and am  
6 familiar with the methods and procedures used to create, record and maintain  
7 billing records for the Frandzel Firm's clients during the time I was employed there.  
8 The billing summaries attached hereto as Exhibit 4 were prepared from  
9 computerized time records prepared contemporaneously with the services rendered  
10 by each attorney and paralegal billing time to this matter. These computerized  
11 records were prepared in the ordinary course of business by the attorneys and  
12 paralegals employed by the firm who had a business duty to accurately record their  
13 time spent and services rendered on the matters on which they performed work.  
14 The time records were transferred into a computerized billing program which  
15 generated monthly invoices under the supervision of the Frandzel Firm's accounting  
16 department. Based on my experience with the Frandzel Firm, I believe that firm's  
17 methods and procedures for recording and accounting for time and services for its  
18 clients was reliable and accurate.

19 6. I have been employed as a partner by the McKenna Firm for more than  
20 two years. I have become and am familiar with the methods and procedures  
21 employed by the McKenna Firm for the preparation of its billing statements  
22 pertaining to matters in which it is engaged. The McKenna Firm also prepares its  
23 billing records from computerized time records prepared contemporaneously with  
24 the services rendered by each attorney and paralegal billing time to this matter.  
25 These computerized records are prepared in the ordinary course of business by the  
26 attorneys and paralegals employed by the McKenna Firm who have a business duty  
27 to accurately record their time spent and services rendered on the matters on which  
28 they perform work. The time records are transferred into a computerized billing

1 program which generates monthly invoices under the supervision of the McKenna  
2 Firm's accounting department. Based on my experience with the McKenna Firm, I  
3 believe that firm's methods and procedures for recording and accounting for time  
4 and services for its clients is reliable and accurate.

5 7. I have more than 27 years' experience as a business and commercial  
6 litigator and also have extensive experience as a bankruptcy attorney primarily  
7 representing creditors in Chapter 11 and Chapter 7 bankruptcy cases. For more  
8 than eight years, I have also specialized in representing receivers in federal equity  
9 receiverships. I am familiar with the billing rates and practices of firms in the Los  
10 Angeles area providing comparable services, and I believe my firm's rates and the  
11 amount incurred by the Receiver for the services rendered during the Current  
12 Expense Period and the Prior Expense Period are extremely reasonable and  
13 appropriate based on the nature of the services rendered, the quality and amount of  
14 services provided, the complexity of the issues involved and other factors under the  
15 circumstances.

16 I declare under penalty of perjury that the foregoing is true and correct and  
17 that this declaration was executed this 27th day of March 2008, at Los Angeles,  
18 California.

19  
20 /s/ Gary Owen Caris  
21 GARY OWEN CARIS



1 GARY OWEN CARIS (SBN 088918)  
gcaris@mckennalong.com  
2 LESLEY ANNE HAWES (SBN 117101)  
lhawes@mckennalong.com  
3 MCKENNA LONG & ALDRIDGE LLP  
444 South Flower Street, 8th Floor  
4 Los Angeles, CA 90071  
Telephone: (213) 688-1000  
5 Facsimile: (213) 243-6330

6 Attorneys for Permanent Receiver,  
**ROBB EVANS & ASSOCIATES LLC**

7  
8 **UNITED STATES DISTRICT COURT**  
9 **CENTRAL DISTRICT OF CALIFORNIA**

10  
11 FEDERAL TRADE COMMISSION, CASE NO. CV-05 0591 AHM (CTX)

12 Plaintiff,

13 v.

14 WORLD TRADERS  
ASSOCIATION, INC., et al.,

15 Defendants.  
16

**DECLARATION OF KENTON  
JOHNSON IN SUPPORT OF MOTION  
FOR ORDER: (1) APPROVING AND  
AUTHORIZING PAYMENT OF  
RECEIVER'S AND ATTORNEYS'  
FEES AND COSTS [NOVEMBER 1,  
2005 THROUGH DECEMBER 31,  
2007]; (2) APPROVING AND  
AUTHORIZING PAYMENT OF FEES  
AND COSTS AND ATTORNEYS'  
FEES AND COSTS PREVIOUSLY  
DENIED WITHOUT PREJUDICE; (3)  
APPROVING REPORT OF  
RECEIVER'S ACTIVITIES FOR THE  
PERIOD OF FEBRUARY 11, 2005  
THROUGH FEBRUARY 15, 2008; AND  
(4) LIMITING NOTICE UNDER  
LOCAL RULE 66-7 IN CONNECTION  
THEREWITH**

DATE: April 21, 2008  
TIME: 10:00 a.m.  
PLACE: Courtroom 14

24  
25 I, Kenton Johnson, declare:

26 1. I am one of the principals of Robb Evans & Associates LLC  
27 ("Receiver") and am one of the persons responsible for the day-to-day management  
28 and supervision of receivership activities associated with the Receiver's role as

1 permanent receiver under the Stipulated Preliminary Injunction With Asset Freeze,  
2 Appointment of Receiver and Other Equitable Relief filed February 22, 2005. If  
3 called upon to testify as to the facts set forth in this declaration, I could and would  
4 testify competently thereto as the facts are true and within my personal knowledge.

5 2. This action was commenced on or about January 21, 2005 by the  
6 Federal Trade Commission against World Traders and other entities as well as the  
7 individual defendants Sheldon Fidler, Judith Fidler, Shannon Holden, Jaime  
8 Klotthor, Jennifer Klotthor and Scott Rinaldo asserting various violations of the  
9 FTC Act and the FTC's rules ("FTC Action").

10 3. The Receiver was initially appointed as temporary receiver pursuant to  
11 this Court's Ex Parte Temporary Restraining Order With Asset Freeze,  
12 Appointment of Receiver and Other Equitable Relief, filed January 25, 2005.  
13 Thereafter, the Receiver was appointed as permanent receiver pursuant to the  
14 Stipulated Preliminary Injunction with Asset Freeze, Appointment of Receiver, and  
15 Other Equitable Relief filed February 22, 2005. Subsequently, by Order Expanding  
16 the Receivership Estate to Include Certain Real Property Assets of Individual  
17 Defendants Sheldon Fidler and Judith Takala Fidler entered April 6, 2005, the  
18 receivership estate was expanded to include certain real property located at 29 Via  
19 Mira Monte, Henderson, Nevada 89011 ("Nevada Property") and 10923 Landale  
20 St. #4, Toluca Lake, California 91602 ("Toluca Lake Property"). As to the Nevada  
21 Property, the Receiver was ordered to take possession and sell it, holding the  
22 proceeds until further Court order. The Nevada Property was sold pursuant to this  
23 order on or about October 13, 2005. As to the Toluca Lake Property, the Receiver  
24 was ordered to take possession but not sell or dispossess Sheldon Fidler and Judith  
25 Fidler (collectively, the "Fidlers"). Thereafter, pursuant to the Court's minute order  
26 dated December 5, 2005, the Receiver was ordered to pay monthly expenses on the  
27 Toluca Lake Property on an ongoing basis. Pursuant to the Court orders, the  
28 Receiver has been paying monthly mortgage payments, homeowners association

1 fees, taxes and insurance. The Receiver has been ordered not to sell the Toluca  
2 Lake Property under the Court orders and it is unclear whether the Receiver will  
3 eventually be permitted to sell the Toluca Lake Property for the benefit of  
4 consumers and the receivership estate. Pursuant to the Court's prior orders, the  
5 Receiver makes expense payments in connection with the Toluca Lake Property of  
6 approximately \$2,800, including mortgage payments, association dues and  
7 insurance, about \$34,000 per year and also pays property taxes at the rate of  
8 approximately \$2,800 per year.

9 4. The FTC has obtained stipulated judgments resolving its claims  
10 against all of the individual defendants other than Sheldon Fidler and Judith Takala  
11 Fidler. By Court order filed August 4, 2006, the FTC Action was stayed with  
12 respect to the Fidlers pending final disposition, including appeals, of the criminal  
13 case, United States v. Sheldon Fidler and Judith Fidler, CR 06-508 (CD CA 2006).  
14 Subsequently, the Fidlers each entered guilty pleas in the criminal case, and on  
15 October 1, 2007, the Fidlers were sentenced in the criminal action, concluding the  
16 criminal proceedings against them.

17 5. On February 25, 2008, the FTC filed a report on the status of its  
18 settlement negotiations with the Fidlers which indicates that the FTC and the  
19 Fidlers have reached agreement on the substantive terms of a settlement that would  
20 resolve the litigation, subject to the FTC obtaining the necessary authorizations to  
21 execute and file the proposed stipulated judgments.

22 6. In connection with my duties, I have reviewed and evaluated the status  
23 of receivership assets and reviewed the receivership records pertaining to the assets  
24 of the estate and the outstanding fees and expenses incurred for Receiver's fees and  
25 costs and the fees and costs of its counsel. The sole assets remaining in the  
26 receivership estate consist of (a) cash on hand in the net amount of \$35,547.00 after  
27 taking into account expenses incurred and paid as well as those for which requests  
28 for payment are pending, (b) the Toluca Lake Property, as to which the estate

1 continues to incur expenses of approximately \$3,100 per month pursuant to the  
2 Court's prior orders, and (c) a Las Vegas golf club membership with an unknown  
3 value. Possibility of any collection on the membership is remote as there is a  
4 buyback period of more than two years, and there are currently no other interested  
5 buyers.

6 7. The \$35,547.00 figure is also net of unpaid amounts requested by  
7 defense counsel, Foley & Lardner, former counsel for the Fidlers. Pursuant to the  
8 Court's December 8, 2005 Order, the Receiver was ordered to pay a portion of the  
9 fees and costs (\$30,000) sought by Foley & Lardner and the Court denied payment  
10 of the balance of \$15,993.58 without prejudice. The Receiver seeks authority to  
11 pay the remaining balance due to Foley & Lardner pursuant to this motion.

12 8. From the outset of the receivership, the assets of the receivership  
13 entities have been limited. As reported in the Report of Receiver's Activities filed  
14 February 21, 2008 ("Permanent Receiver's Report"), the assets of these entities at  
15 the outset of the receivership consisted of a limited amount of cash on hand of  
16 approximately \$42,300 and certain office equipment and furniture of limited value.  
17 The Receiver estimated the liquidation value of the office equipment and furniture  
18 at \$20,000. The Receiver later sold that personal property with a net recovery to  
19 the estate after auctioneer's fees and costs of \$21,445.33.

20 9. The Court later authorized the Receiver to take possession and control  
21 of the Nevada Property and to sell that property by private sale subject to overbids.  
22 The Nevada Property was encumbered. After payment of closing costs,  
23 commissions and liens and encumbrances, the Receiver recovered net sale proceeds  
24 for the estate of \$371,569.83 from the Nevada Property.

25 10. The assets of the estate also included two golf club memberships at  
26 different exclusive golf clubs. The Receiver was able to market and sell one of the  
27 golf club memberships for a net return of \$75,810.18 for the estate. The Receiver  
28 has attempted to market the other golf club membership which is a membership to

1 the exclusive Lake Las Vegas Golf Club. However, the membership is subject to  
2 restrictions on its sale, and the depressed real estate market also limits the  
3 marketability of the membership. At this time, the Receiver has not been able to  
4 locate any willing purchasers for this membership.

5 11. The Receiver has also continued to administer the Toluca Lake  
6 Property. Pursuant to the Court's prior orders, the Receiver has continued to pay  
7 the ongoing monthly expenses for the Toluca Lake Property. During the Current  
8 Fee Period, the Receiver was advised of a proposed special assessment against the  
9 Toluca Lake Property of \$20,000 by the homeowners' association. The Receiver,  
10 through counsel, filed a motion for instructions as to whether the Receiver should  
11 pay the proposed special assessment from receivership assets, and if the Court  
12 determined payment of the special assessment from such assets was appropriate, for  
13 an instruction from the Court directing the Receiver to make such payment. The  
14 Receiver's motion for instructions was filed, responses were filed by the parties as  
15 well as by the homeowners' association, a reply was filed by the Receiver and the  
16 Court ultimately determined that the Receiver should pay the \$20,000 special  
17 assessment from receivership assets.

18 12. The Receiver and its counsel also continued to monitor this case  
19 during the Current Fee Period, including reviewing all pleadings filed in the case  
20 during the Current Fee Period. The Receiver, through its counsel, responded to two  
21 motions filed by the Fidlers during the Current Fee Period. The Fidlers filed a  
22 motion to stay this case pending the resolution of potential criminal proceedings  
23 against them. The motion was filed in July 2006, and the Court ultimately entered  
24 an order staying this action against the Fidlers based on the criminal action. That  
25 order, entered August 4, 2006, also confirmed that the provisions of the Court's  
26 preliminary injunction order, including the receivership provisions, remained in full  
27 force and effect notwithstanding the stay.

28

1           13. The Fidlers also filed a motion to release up to \$10,000 of receivership  
2 assets to pay for an attorney to review the proposed stipulated judgments negotiated  
3 by the Fidlers with the FTC. The motion was filed in January 2007 together with  
4 an ex parte application by the Fidlers to set a shortened time hearing on their  
5 motion. The Receiver responded to the Fidlers' motion to release receivership  
6 funds and the FTC opposed the motion. The Court denied the motion by minute  
7 order entered February 26, 2007.

8           14. During the Current Fee Period, the FTC also filed stipulated judgments  
9 with the other individual defendants in the case, including Shannon Holden and  
10 Scott Rinaldo in March 2006 and Jennifer Klotthor and Jaime Klotthor in February  
11 2007 which the Receiver and its counsel reviewed and monitored. The Receiver  
12 through counsel also filed a motion for approval of fees and expenses for the Prior  
13 Expense Period. That motion also included a request for relief to address the effect  
14 of a voluntary Chapter 7 bankruptcy filing by Judith Fidler on the Receiver's  
15 powers and duties with respect to the assets to which title was held in the names of  
16 Judith and/or Sheldon Fidler which were claimed as part of Judith Fidler's  
17 bankruptcy estate. The Court determined that the Receiver should continue in  
18 exclusive possession and control of those assets pursuant to the Court's preliminary  
19 injunction order and subsequent orders in this case by the Court's December 8,  
20 2005 Order.

21           15. Attached hereto as Exhibit 1 are true and correct copies of the  
22 Receiver's billing records for the Current Fee Period for services rendered by the  
23 Receiver's deputies primarily responsible for this case, including the time records  
24 for Brick Kane, Anita Jen, M. Val Miller and me. Attached hereto as Exhibit 2 are  
25 true and correct copies of the Receiver's time records for the Receiver's Senior  
26 Staff, and attached hereto as Exhibit 3 are copies of the Receiver's time records for  
27 services rendered by the Receiver's personnel for IT Management. These time  
28 records have been redacted to preserve the attorney-client privilege and work

1 product, including tactical or other confidential information that may have appeared  
2 in the time records.


3 16. As a member of Robb Evans & Associates LLC, I am familiar with the  
4 methods and procedures used by the Receiver and its staff and employees to record  
5 the time spent rendering services to receivership estates over which the Receiver  
6 has been appointed. The records attached hereto as Exhibits 1 through 3 are  
7 regularly prepared by the members, staff and employees of the Receiver at or about  
8 the time of the services rendered, each of whom has a business duty to accurately  
9 record the information regarding their services set forth in these records. The  
10 records are reviewed by the Receiver's accounting staff and summarized in the  
11 Receivership Administrative Expenses and Fund Balance by Month attached as  
12 Exhibit 1 to the Report of Receiver's Activities for the period of February 11, 2005  
13 through February 15, 2008 filed on February 21, 2008 ("Permanent Receiver's  
14 Report"). For the Court's convenience, a true and correct copy of the filed  
15 Permanent Receiver's Report is attached hereto as Exhibit 4. Based upon my  
16 experience with Robb Evans & Associates LLC, I believe the Receiver's methods  
17 and procedures for recording and accounting for time and services for the  
18 receivership estates over which it has been appointed are reliable and accurate.

19 17. The Receiver's fees and expenses incurred during the Current Expense  
20 Period total \$33,472.56, and the aggregate fees and expenses sought by the  
21 Receiver in this Motion, including the fees and expenses sought in the Prior Fee  
22 Period for which payment has not been authorized of \$7,329.71, equal \$40,802.27.  
23 The Receiver's fees and costs incurred during the Current Fee Period average less  
24 than \$1,300 per month for this 26-month period.

25 18. The Receiver also seeks an order providing that the notice requirement  
26 for the hearing on this motion shall be deemed satisfied by service of the motion on  
27 parties to this action and the Association and by posting the motion on the  
28 Receiver's website. In this case, there are approximately 4,382 aggrieved

1 consumers who are potential creditors in this case. There are also approximately 32  
2 other creditors, including vendor creditors and employees. Providing notice of this  
3 ex parte application to all such creditors and potential creditors would be  
4 burdensome, time consuming and expensive for the receivership estate. Given the  
5 limited funds on hand, such expenses are not warranted.

6 I declare under penalty of perjury that the foregoing is true and correct and  
7 that this declaration was executed on March 26, 2008 at Sun Valley, California.

8  
9   
10 \_\_\_\_\_  
11 KENTON JOHNSON  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28