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10 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
11 **COUNTY OF SACRAMENTO**
12
13

14 THE PEOPLE OF THE STATE OF
CALIFORNIA,

15 Plaintiff,

16 v.
17

18 RONI DEUTCH, A PROFESSIONAL TAX
CORPORATION, a California corporation;
19 RONI LYNN DEUTCH, an individual; and
20 DOES 1 through 100, inclusive,

21 Defendants.

Case No. 34-2010-00085933

**PLAINTIFF'S MEMORANDUM OF
POINTS AND AUTHORITIES IN
SUPPORT OF PLAINTIFF'S EX PARTE
APPLICATION FOR TEMPORARY
RESTRAINING ORDER RE ASSET
FREEZE AND TEMPORARY
APPOINTMENT OF RECEIVER;
ORDER TO SHOW CAUSE RE
PRELIMINARY INJUNCTION AND
APPOINTMENT OF A RECEIVER**

Date: April 20, 2011
Time: 1:45 p.m.
Dept: 54
Judge: Hon. Shelleyanne W.L. Chang

Action Filed: August 24, 2010

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1 **INTRODUCTION**

2 In late 2010, this Court enjoined Defendants Roni Deutch, a Professional Tax Corporation
3 (Deutch), and Roni Lynn Deutch (collectively Defendants) from continuing to engage in unlawful,
4 fraudulent, and deceptive practices that have jeopardized thousands of consumers already in financial
5 distress. While a Court order should have been sufficient to end Defendants' illegal conduct and
6 prevent further harm to consumers, unfortunately, Defendants began violating the orders of this Court
7 almost before they came off the printer. Indeed, Defendants have been shredding discoverable
8 documents on almost a weekly basis since the day the Court issued its order to show cause
9 specifically forbidding them to do so. Defendants have also violated, and continue to violate,
10 paragraph nine of this Court's preliminary injunction order by failing to issue refunds to clients
11 within 60 days of termination. Defendants admit that they have more than \$400,000 in refund
12 requests for hundreds of clients that are older than 60 days. While Defendants now claim that
13 they are financially unable to pay these refunds, even assuming that this were true, it would be
14 because instead of using their funds to satisfy this Court's order, Defendants chose to divert assets
15 to friends, family, and other creditors. Defendants' spoliation of evidence and dissipation of
16 assets have prejudiced the People's ability to litigate this case fully and fairly and has caused
17 further injury to their victims who may never be able to recover money that is rightly theirs.

18 The People have filed a separate Ex Parte Application for an Order to Show Cause re
19 Contempt in order to punish Ms. Deutch for her repeated and continuous violations of this
20 Court's orders. The purpose of this application is to stop Defendants' unlawful conduct and
21 prevent them from destroying evidence, dissipating assets and otherwise violating Court orders in
22 the future. In addition to their history of unlawful practices, Defendants' conduct during the
23 pendency of this litigation demonstrates that they cannot be trusted to obey the orders of this
24 Court of their own accord. In order to restrain Defendants' continued improper dissipation of
25 assets and lack of compliance with Court orders, both an asset freeze and the appointment of a
26 limited purpose receiver are required. Accordingly, the People respectfully request that this Court
27 issue an order: (1) enjoining Defendant Roni Lynn Deutch from spending, transferring,
28 disbursing, encumbering, or otherwise dissipating any of her assets absent permission from the

1 Court; and (2) appointing a receiver for the limited purpose of controlling the accounting
2 functions and financial operations of Roni Deutch, a Professional Tax Corporation and
3 supervising Defendants' compliance with the Court's orders.

4 BACKGROUND

5 On August 24, 2010, the People filed their Complaint for Civil Penalties, Permanent
6 Injunction and Other Equitable Relief alleging, inter alia, that Defendants' deceptive tax debt
7 relief scheme violated California's Unfair Competition Law (UCL, Bus. & Prof. Code, § 17200 et
8 seq.) and False Advertising Law (FAL, Bus. & Prof. Code, § 17500 et seq.). On the same day, the
9 People filed an ex parte application for an order to show cause why a preliminary injunction should not
10 issue.¹ The essence of the People's allegations is that Defendants, in violation of California's
11 consumer protection laws, lure consumers to hire Deutch based upon a variety of false promises and
12 misrepresentations about Deutch's ability to obtain tax debt relief from the Internal Revenue Service
13 (IRS). Once retained, Defendants fail to provide meaningful representation to clients, string
14 clients along with repetitive and largely unnecessary document requests, and ultimately do not
15 obtain any of the relief they promised clients. Defendants also engage in fraudulent billing that
16 ensures that, despite their marked nonperformance, clients will rarely, if ever, be given a refund.
17 As a result of Defendants' illegal practices, their clients have not only lost the considerable cost
18 of retaining Deutch, they also must pay interest and penalties to the IRS and frequently face IRS
19 collection actions such as levies and wage garnishments. (See People's Complaint for Civil
20 Penalties, Permanent Injunction and Other Equitable Relief (Complaint), ¶¶ 1-2, 21-40, 46-65;
21 see generally Plaintiff's Memorandum of Points and Authorities in Support of Plaintiff's
22 Application for Preliminary Injunction.)

23 On August 31, 2010, the Court granted the People's OSC re Preliminary Injunction. (See
24 Declaration of Conor P. Moore in Support of Plaintiff's Ex Parte Application for Asset Freeze and
25 Appointment of Receiver (Moore Decl.), ¶ 3 & Exh. 1.) In so doing, the Court ordered Defendants to

26 ¹ Having adjudicated the preliminary injunction and related matters in this case, the Court
27 is now well familiar with the background facts. In the interest of brevity, the People will not
28 repeat most of those facts here. Instead, the People's recitation of facts is limited to those
necessary to decide the instant application.

1 “take reasonable steps to preserve every document, data or tangible thing in its possession,
2 custody or control, containing information that is relevant to, or may reasonably lead to the
3 discovery of information relevant to, the subject matter involved in the pending
4 litigation....Preservation includes taking reasonable steps to prevent the partial or full destruction,
5 alteration, testing, deletion, shredding, incineration, wiping, relocation, migration, theft, or
6 mutation of such material, as well as negligent or intentional handling that would make material
7 incomplete or inaccessible.” (*Id.*)

8 On November 17, 2010, the Court issued its order and preliminary injunction. (*Id.* at ¶ 4
9 & Exh. 2.)² The Court found that the People had demonstrated a reasonable probability of
10 prevailing at trial on its FAL and UCL claims, and that Defendants’ illegal acts caused “actual
11 harm that is irreparable” to consumers. (*Id.* at Exh 3, at p. 20:16.) Based upon this
12 determination, the Court enjoined Defendants from making a variety of misrepresentations and
13 engaging in certain unlawful business practices. (*Id.*) Paragraph nine of the preliminary
14 injunction order prohibits Defendants from “failing to refund all unearned fees to clients, even if a
15 client has not requested a refund, within 60 days of either (1) the date the client terminated
16 Defendants’ representation or (2) the date Defendants resigned from the client’s representation.”
17 (*Id.* at Exh. 3 at p. 31:8-10.)

18 ARGUMENT

19 I. THE PEOPLE REQUEST THAT THIS COURT FREEZE DEFENDANT RONI LYNN 20 DEUTCH’S ASSETS AND APPOINT A LIMITED PURPOSE RECEIVER.

21 The People respectfully request that this Court enter an order enjoining Defendant Roni Lynn
22 Deutch from spending, transferring, disbursing, encumbering, or otherwise dissipating any of her
23 assets absent permission from the Court. The People also request that this Court enter an order
24 appointing a receiver for the limited purpose of controlling the accounting functions and financial
25 operations of Roni Deutch, a Professional Tax Corporation and supervising Defendants’
26 compliance with the Court’s orders. The receiver’s duties would include conducting an

27 ² The preliminary injunction order was entered on December 2, 2010. (Moore Decl., ¶5 &
28 Exh. 3.)

1 accounting of Deutch's assets and managing the firm's business in accordance with the orders of
2 this Court, including overseeing the issuance of refunds due to Deutch's clients, pending the
3 hearing on the order to show cause regarding the confirmation of the receiver's appointment. The
4 combination of an asset freeze and a receivership will safeguard against Defendants' continued
5 improper dissipation of assets and lack of compliance with the Court's orders.

6 **A. California Law Provides the Court with the Power to Issue This Order.**

7 The Court acts well within its powers in freezing Defendant Roni Lynn Deutch's assets
8 and appointing a receiver. (See *Crain v. Electronic Memories & Magnetics Corp.* (1975) 50 Cal.
9 App.3d 509, 524 ["courts have broad equitable powers to fashion whatever remedies are needed
10 to redress obvious wrongs"]; *Wickersham v. Crittenden* (1892) 93 Cal. 17, 32 ["It is often
11 necessary, in order that the plaintiff may obtain full justice, that the relief granted him be as
12 varied and diversified as the means that have been employed by the defendant to produce the
13 grievance complained of"].) Both the UCL and FAL expressly permit the Court to issue *any*
14 injunctive orders it deems appropriate to remedy unfair business practices. (See Bus. & Prof.
15 Code, §17203 ["(a)ny person performing or proposing to perform an act of unfair competition
16 within this state may be enjoined in any court of competent jurisdiction."]; see also Bus. & Prof.
17 Code, § 17535.) Both these statutes provide that the Court "may make such orders or judgments,
18 including the appointment of a receiver, as may be necessary to prevent the use or employment by
19 any person of any practice which constitutes unfair competition . . . or as may be necessary to
20 restore to any person in interest any money or property, real or personal, which may have been
21 acquired by means of [the prohibited conduct]." (Bus. & Prof. Code, §§17203, 17535.)

22 In an action brought by the Attorney General, the court may appoint a receiver if the court
23 determines that: (1) the Attorney General has a reasonable probability of prevailing on the merits
24 at trial in establishing that the defendant obtained real or personal property by any unlawful
25 means; and (2) the appointment of a receiver would facilitate the maintenance, preservation,
26 operation, or recovery of that property for any restitutionary purpose. (Govt. Code, §12527(b).)³

27 ³ Code of Civil Procedure section 564, subdivision (b)(9) provides that a receiver may be
28 appointed in all cases "where necessary to preserve the property or rights of any party." (Civ.

(continued...)

1 Even if the Court determines that the conditions for the appointment of a receiver have not been
2 shown, the court may issue any necessary orders to assure that the defendant does not transfer or
3 encumber any property that may be used to satisfy a judgment in the action. (*Id.* at §12527(g).)
4 Thus, the Court may freeze all of a defendant's assets, even if they are not the fruit of illegal acts,
5 as long as the People have shown a "reasonable probability" of establishing that the defendant
6 acquired some property by unlawful means. (*Id.*)

7 **B. The People Have Demonstrated That Defendants Acquired the Property at**
8 **Issue Through Unlawful Means.**

9 Here, the People already have demonstrated a "reasonable probability" that Defendants
10 acquired property through unlawful means. In granting the preliminary injunction, this Court
11 held that the People have established a reasonable probability of prevailing at trial on its claims that
12 Defendants have violated the UCL and FAL by, inter alia, (1) disseminating television
13 advertisements that contain materially false and misleading statements; (2) making false and
14 misleading statements about potential clients' "qualifications" for tax debt relief from the IRS;
15 (3) making false and deceptive promises about the tax debt relief Deutch will be able to obtain;
16 (4) falsely representing that they charge a "flat fee" and that they will return any unearned fees;
17 (5) making false and misleading representations about Deutch's success rate in obtaining tax debt
18 relief; (6) improperly advising clients to stop communicating with the IRS; (7) improperly
19 advising clients to stop making installment payments to the IRS; (8) unlawfully retaining
20 unearned fees and falsely billing for time they did not spend on client matters; and (9)
21 intentionally, recklessly, or repeatedly failing to perform legal services with competence and by
22 failing to properly supervise employees. (See Order and Preliminary Injunction, Moore Decl.,
23 Exh. 3.) These violations of law are, in large part, the source of the assets at issue. Defendants
24 induce clients to pay large fees to them based upon their false and deceptive misrepresentations,
25 string their clients along while neglecting their matters, and then justify their wrongful retention

26 (...continued)

27 Proc. Code, § 564, subd. (b)(9); see also Code Civ. Proc, § 564 (b)(3) [a receiver may be
28 appointed "[a]fter judgment, to carry the judgment into effect".]

1 of fees through their fraudulent billing scheme. (*Id.*) It is thus highly probable if not a certainty
2 that Defendants acquired at least some of their assets unlawfully.

3 **C. An Asset Freeze and the Appointment of a Receiver are Necessary.**

4 Based upon its determination that the People have demonstrated a reasonable probability
5 of prevailing on its UCL and FAL claims and that Defendants' illegal acts caused "actual harm
6 that is irreparable" to consumers, (*id.* at 20:16), the Court would have been justified in ordering
7 an asset freeze and the appointment of a receiver at the time it issued the preliminary injunction.
8 (See Bus.& Prof. Code, §§ 17203 & 17535; Gov. Code, §§ 12527(b) & (g); *City & County of San*
9 *Francisco v. Daley* (1993) 16 Cal.App.4th 734, 743 ["[o]ne of the principal purposes of a
10 receivership is the preservation of property pending litigation concerning or affecting it, so that
11 the relief ultimately awarded by the judgment may be effective"]; *People v. Pacific Land*
12 *Research Co.* (1977) 20 Cal.3d 10, 17 ["[t]he purpose of injunctive relief is to prevent continued
13 violations of law and to prevent violators from dissipating funds illegally obtained."]; *Silbert v.*
14 *Shaver* (1952) 113 Cal.App.2d 19, 21 ["not error to appoint a receiver merely because the
15 plaintiff possessed other remedies which would have afforded ample protection"]; see also *Porter*
16 *v. Warner Holding Co.* (1946) 328 U.S. 395, 398 [in matters of public interest, a court's
17 "equitable powers assume an even broader and more flexible character than when only a private
18 controversy is at stake"].) At that time, it was the hope of the People that a strongly worded and
19 comprehensive injunction would be sufficient to bring Defendants into compliance with the law,
20 maintain the status quo, and preserve those portions of Defendants' assets that have been
21 wrongfully obtained from consumers. Unfortunately, this is not the case.

22 In light of Defendants' repeated and continuous violations of this Court's orders,
23 including their spoliation of evidence and their diversion of funds that should have been used to
24 pay the refunds to clients ordered by this Court,⁴ an asset freeze and the appointment of a receiver

25 ⁴ Defendants violations of this Court's orders are more fully detailed in the People's Ex
26 Parte Application for an Order to Show Cause re Contempt and Memorandum and the
27 Declaration of Conor P. Moore in Support of People's Ex Parte Application for an Order to Show
28 Cause re Contempt, filed concurrently. It should be noted while the People have been able to
discover the violations outlined above through its own investigations, it is entirely possible that
Defendants' lack of compliance exceeds the scope of what is currently known.

1 are now essential. (See, e.g., *City & County of San Francisco v. Daley, supra*, 16 Cal.App.4th at
2 pp. 744-45 [holding that where defendants “repeatedly thumbed their noses” and flagrantly
3 violated court orders, “it is difficult to imagine why the trial court would *not* have appointed a
4 receiver”] (emphasis added); Gov. Code, §§ 12527(b) & (g).)

5 Despite a clear order from this Court prohibiting Defendants from shredding discoverable
6 documents, they immediately conducted a purge of law firm documents that resulted in the
7 shredding of nearly 2,000 pounds of the firm’s documents, or about 200,000 pages. (Declaration
8 of Gary M. Noland (Noland Decl.), ¶ 7.) This shredding campaign continued on an almost
9 weekly basis until at least March 24, 2011. (*Id.* at ¶¶ 7-8.) During the pendency of the OSC,
10 Defendants have shredded a total of anywhere from 16,436 to 27,086 pounds of paper, or
11 approximately 1,643,600 to 2,708,600 pages. The millions of pages that Defendants destroyed
12 while the document preservation order was in effect are permanently lost because the shredding
13 company double shreds the documents and then bales them for resale to the recycling industry.
14 (*Id.* at ¶ 6.)

15 While there is no way for the People to know, much less recover, what Defendants
16 shredded, there is no doubt that they destroyed discoverable documents. Deutch has a written
17 policy on shredding documents that requires employees to shred “all documents, including letters
18 and envelopes, which contain any of the following information: Client’s name; Client’s address;
19 Client’s telephone number; Client’s social security number; Client’s financial information
20 relating to their case; Client’s personal banking information, including order forms and work
21 requests; Our letterhead or any document with our name, telephone number or address on the
22 document; and Roni’s name or any other employee’s name on the document.” (Moore Decl., ¶
23 13 & Exh. 15.) All of the categories of documents listed in this shredding policy are discoverable
24 and, therefore, should have been preserved.⁵ Defendants’ destruction of millions of pages of
25

26
27 ⁵ There is no colorable argument that information about Deutch’s clients, “order forms
28 and work requests,” letters to clients, and documents with law firm employee’s names on them
would not be discoverable as part of this litigation.

1 discoverable and relevant documents in willful violation of the OSC represents a direct attack on
2 the integrity of this litigation.

3 Defendants have also disobeyed paragraph nine of the preliminary injunction by failing to
4 issue refunds to clients within 60 days of either (1) the date the client terminated Defendants'
5 representation or (2) the date Defendants resigned from the client's representation." (*Id.* at Exh. 3
6 at p. 22.) Defendants admit that they have over \$400,000 in refund requests for hundreds of
7 clients that are older than 60 days. (*Id.* at ¶7 & Exh. 6; Declaration of Roni Lynn Deutch in
8 Support of Defendants' Motion to Modify the Preliminary Injunction, ¶ 4.) While Defendants
9 contend that this glaring failure to comply with the preliminary injunction is the result of inability
10 to pay due to lack of funds, a review of Defendant Roni Lynn Deutch's activities over the past
11 months belies Defendants' cries of poverty.⁶ Ms. Deutch sold her home in February 2011, and
12 transferred hundreds of thousands of dollars of the proceeds to Intermedia, one of her creditors.
13 (Moore Decl., ¶¶ 9-11.) In addition, since the People filed this action, Ms. Deutch has personally
14 withdrawn over \$335,000 from the law firm's accounts and her personal accounts at just *one*
15 *bank*.⁷ (*Id.* at ¶ 12 & Exh. 14.) In fact, about \$266,000 of that total was withdrawn after the
16 Court issued its minute order on the Preliminary Injunction on November 17, 2010. (*Id.*)
17 Additionally, Ms. Deutch has made over \$100,000 in unnecessary payments since the People
18 filed this case, including gifts to friends and family,⁸ payments to a casino, and a payment to a

19 ⁶ Even assuming, arguendo, that Defendants' failure to pay refunds is the result of
20 inability, this is no excuse for violating a court order. Rather, it was incumbent upon Defendants
21 to ask the Court to modify the terms of the injunction so that they could abide by them well
22 before their lack of compliance rose to the level of nearly half a million dollars. While
23 Defendants have now asked the Court for a modification to the preliminary injunction order, this
24 is only after the Attorney General approached them after receiving complaints from clients that
25 they were waiting months for their refunds. (Moore Decl., ¶ 7.) As set forth in Plaintiff's
26 Opposition to Motion to Amend Preliminary Injunction Order, Defendants' proposed
27 modification of paragraph 9 regarding refunds cannot be decided solely based on the incomplete
28 evidence put forth by Defendants and without consideration of Defendants' dissipation of assets.
If a receiver is appointed, he can perform a thorough accounting of Defendants' assets and
business operations, report to the Court and propose an appropriate schedule for refunds.

⁷ The People have issued a subpoena to another one of Ms. Deutch's banks, but have not
yet received the bank's complete production on those accounts. Only the first ten weeks
following November 17, 2011, can be analyzed at this point because that is all that was called for
under the first set of subpoenas.

⁸ Among these gifts are \$12,000 in payments to Ms. Deutch's brother, Scott Juceam,
between November 2010 to January 2011. (*Id.* at ¶ 16 & Exh. 14.) Interestingly, Mr. Juceam

(continued...)

1 NASCAR racing team. (*Id.*) These figures do not include withdrawals or payments made from
2 accounts she controls at any other bank or investment account Ms. Deutch may have. (*Id.*)
3 Nevertheless, this evidence demonstrates that Defendants had the ability to pay the refunds
4 requests mandated by the preliminary injunction order. Instead of using these funds to satisfy the
5 Court's order to timely issue refunds to clients, however, Defendants chose to divert assets
6 elsewhere. The decision to privilege other creditors, friends, family members and entertainment
7 over the requirement to make court-ordered payments exacerbates the irreparable harm that
8 Defendants already have caused their clients.

9 Defendants' flagrant disregard for the authority of this Court has prejudiced the People's
10 ability to litigate this case and has caused further injury to their victims who may not be able to
11 recover money that is rightly theirs. Much of the damage to the People's case and the harm
12 caused to consumers caused by Defendants' noncompliance is irrevocable. However, the
13 proposed asset freeze and the appointment of a limited purpose receiver will ensure prospectively
14 that: (1) Defendants will not be able to wrongly dissipate and divert assets; (2) there will be a
15 source of funds from which refunds and ultimately restitution and civil penalties can be paid, (see
16 Gov. Code, §§ 12527(b)&(g)); (3) Defendants will not be able to destroy any more evidence; and
17 (4) Defendants will comply with the orders of this Court. As envisioned in the proposed order
18 submitted with this application and subject to confirmation by the Court, the receiver would
19 assume control over the assets, accounting functions and those business operations of Roni
20 Deutch, a Professional Tax Corporation necessary to supervise Defendants' compliance with the
21 Court's orders. This supervision would include overseeing the issuance of refunds owed to
22 Deutch's clients and monitoring Defendants to make certain that no further destruction of
23 documents occurs.⁹

24
25 _____
(...continued)

26 recently has launched a tax debt resolution company, which he refers to as the Juceam Group,
27 which operates from one of the Roni Deutch Tax Center locations that he manages. (*Id.* at ¶¶ 14-
15 & Exhs. 16 & 17.)

28 ⁹ In essence, the receiver will function as the Chief Financial Officer of Deutch.
Defendants will retain control over most non-financial aspects of the firm.

1 **I. THE RECEIVER SHOULD BE APPOINTED ON AN EX PARTE BASIS.**

2 **A. The People in This Memorandum and Accompanying Papers Meet the**
3 **Requirements for the Ex Parte Appointment of a Receiver as Set Forth in**
4 **California Rules of Court, rule 3.1175.**

5 California Rules of Court, rule 3.1175 provides:

6 In addition to any other matters supporting an application for the ex parte
7 appointment of a receiver, the applicant must show in detail by verified complaint or
8 declaration:

9 (1) The nature of the emergency and the reasons irreparable injury would be suffered
10 by the applicant during the time necessary for a hearing on notice;

11 (2) The names, addresses, and telephone numbers of the persons in actual possession
12 of the property for which a receiver is requested, or of the president, manager, or
13 principal agent of any corporation in possession of the property;

14 (3) The use being made of the property by the persons in possession; and

15 (4) If the property is a part of the plant, equipment, or stock in trade of any business,
16 the nature and approximate size or extent of the business and facts sufficient to show
17 whether the taking of the property by a receiver would stop or seriously interfere with
18 the operation of the business.

19 If any of the matters listed above are unknown to the applicant and cannot be
20 ascertained by the exercise of due diligence, the applicant's declaration or verified
21 complaint must fully state the matters unknown and the efforts made to acquire the
22 information.

23 (Cal. Rules of Court, rule 3.1175.)

24 **1. Irreparable Harm.**

25 The People have established that Defendants have engaged in a course of conduct that has
26 resulted in "actual harm that is irreparable" to consumers. Specifically, Defendants use false and
27 misleading advertising to sell their services, do little or nothing to help clients resolve their tax
28 liability, and then generate false billing statements to justify denying clients refunds of the
thousands of dollars in fees they pay for services. In addition, the People have presented
evidence that Defendants have flagrantly and repeatedly violated the orders of this Court by
destroying evidence and by diverting funds that should have been used to pay for court-mandated
refunds. It is highly likely that Defendants will continue to dissipate the assets necessary to pay
refunds and ultimately restitution and civil penalties. It is also quite probable that Defendants

1 will continue to disregard the orders of this Court and/or the law. Accordingly, both the People
2 and Defendants' victims will suffer irreparable harm if the appointment of a receiver must await
3 ruling on a noticed motion.

4 **2. Contact Information.**

5 Contact information for Defendants is set forth in the People's concurrently filed Ex Parte
6 Application.

7 **3. Use of Property.**

8 The People have conducted a detailed and diligent investigation thus far into Defendants'
9 business practices, but despite these efforts, the People have not fully determined how the monies
10 from Defendants' customers have been used or diverted. The People have produced evidence that
11 instead of using available funds to satisfy the Court's order that Defendants timely issue refunds
12 to clients, Roni Lynn Deutch chose to chose to transfer hundreds of thousands of dollars in equity
13 from the sale of her home to InterMedia, one of her other creditors. (Moore Decl., at ¶¶ 8-11 &
14 Exh. 10.) In addition, in the first *ten weeks* after the Court issued its Preliminary Injunction on
15 November 17, 2010, Ms. Deutch withdrew over \$66,000 *in cash* from her personal account,
16 authorized almost \$55,000 in cash withdrawals from the law firm's accounts, and took at least
17 \$120,000 in draws from the law firm's account. (*Id.* at ¶ 12 & Exh. 14.) On an annual basis, her
18 law firm draws during this period amount to a salary of nearly \$625,000. In this same period, Ms.
19 Deutch gave friends, family, and a NASCAR team payments totaling \$21,000. (*Id.*)

20 Ms. Deutch's failure to comply with the preliminary injunction order regarding refunds
21 was systemic and far-reaching, and reflects a willful decision to issue refunds on a schedule that
22 fit her preferences, instead of the court-ordered schedule designed to benefit her clients.
23 To the extent that Defendants have been using monies collected from their customers to continue
24 their fraudulent scam, the People submit that these businesses are illegal enterprises undeserving
25 of such subsidy.

26 **4. Nature and Size of Business.**

27 Defendant Róni Deutch, a Professional Tax Corporation (Deutch) is a California corporation
28 and law firm operating in Sacramento County. Defendant Roni Lynn Deutch is a licensed

1 California attorney and is the President, founder, director, and sole owner of Deutch. She is
2 responsible for overseeing all aspects of Deutch's operations. At the time the People's Complaint
3 was filed, Defendants operated a law firm that employed approximately 160 people and generated
4 approximately \$25 million per year in annual revenue. Defendants utilized their sales force,
5 which amounted to about 45 full-time employees, to advertise, market, offer for sale, and sell
6 purported IRS tax debt resolution services. Defendants seek clients who are in financial distress
7 and in danger of being subjected to IRS collection actions. Defendants have represented that both
8 the size of the law firm and its revenue have decreased since the preliminary injunction was
9 issued. The People do not know the current size of Defendants' business (and believe that it
10 fluctuates).

11 There is no legitimate reason why the appointment of a receiver would interfere with the
12 operation of Defendants' business. Rather, the appointment of a receiver will merely ensure that
13 Defendants operate in compliance with the orders of this Court. Given the complexities involved
14 in this litigation, the People seek the appointment of Scott M. Sackett as receiver. Mr. Sackett is
15 a highly experienced receiver who has been appointed in numerous actions, including many
16 actions in Sacramento County, and is the Chief Financial Officer of the Sacramento Valley
17 Chapter of the California Receivers Forum. (See Declaration of Scott Sackett in Support of
18 Plaintiff's Ex Parte Application, at ¶¶ 3-4.) In addition to his experience as a receiver, Mr.
19 Sackett has authored a number of publications regarding issues in receivership such as the
20 recovery of assets. (*Id.*) The People submit that Mr. Sackett is fully able and ready to take on all
21 of the responsibilities that his appointment as receiver will entail.

22 **II. THE ASSET FREEZE ALSO SHOULD BE ISSUED ON AN EX PARTE BASIS.**

23 As discussed above and in the People's concurrently filed People's Ex Parte Application for
24 an Order to Show Cause re Contempt and Memorandum, from the time this action was filed,
25 Defendants have been diverting assets that should have been used to pay refunds, and ultimately
26 restitution and civil penalties. The issuance of an asset freeze order (and the appointment of a
27 receiver) will safeguard those assets that will be needed to provide refunds and restitution to
28 consumers and civil penalties. (See Gov. Code, § 12527(g) [providing in relevant part that once

1 the People have shown a reasonable probability of prevailing on the merits, “the court shall issue
2 any necessary orders to assure that the defendant does not transfer or encumber any property
3 which may be used to satisfy a judgment in the action”]; see also Bus. & Prof. Code, §§17203,
4 17535.) In the unlikely event that the People do not prevail at trial, control over those assets can
5 be returned to Ms. Deutch. By contrast, once the assets are dissipated, Defendants’ victims will
6 be deprived of money that is rightfully theirs without recourse. In light of Defendants’ history of
7 unlawful conduct and their ongoing violations of this Court’s orders, it is more than possible that
8 notice of this filing will accelerate the pace of Defendants’ dissipation of assets until there may be
9 nothing left. Accordingly, the proposed order enjoining Defendant Roni Lynn Deutch from
10 spending, transferring, disbursing, encumbering, or otherwise dissipating any of her assets cannot
11 await ruling on a noticed motion.

12 **III. NO BOND IS REQUIRED FOR THE PEOPLE’S REQUESTED RELIEF.**

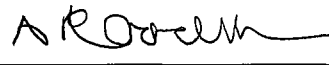
13 The People need not post a bond when applying for a restraining order, injunction, or the
14 appointment of a receiver. (See Code Civ. Proc., § 995.220.)

15 **CONCLUSION**

16 For the foregoing reasons, the People respectfully request that the Court issue the proposed order
17 enjoining Defendant Roni Lynn Deutch from dissipating any of her assets and appointing a
18 receiver for the limited purpose of controlling the accounting functions and financial operations
19 of Roni Deutch, a Professional Tax Corporation and supervising Defendants’ compliance with the
20 Court’s orders.

21 Dated: April 19, 2011

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