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8 STEPHEN J. DONELL

9 UNITED STATES DISTRICT COURT  
10 CENTRAL DISTRICT OF CALIFORNIA

11  
12 FEDERAL TRADE COMMISSION,

13 Plaintiff,

14 v.

15 ASCEND CAPVENTURES INC., et al.,

16 Defendants.

Case No. 2:24-CV-07660-SPG-JPR

**SUPPLEMENT TO INITIAL  
REPORT AND  
RECOMMENDATIONS OF  
RECEIVER, STEPHEN J. DONELL**

Date: October 23, 2024

Time: 1:30 p.m.

Ctrm: 5C

Judge Hon. Sherilyn Peace Garnett

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19 **TO THIS HONORABLE COURT AND ALL INTERESTED PARTIES:**

20 **PLEASE TAKE NOTICE THAT** Stephen J. Donell (the "Receiver"), the  
21 Court-appointed receiver for defendants defendant Ascend Capventures Inc.,  
22 Ascend Ecom LLC, ACV, ACV Partners, Accelerated Ecommerce Ventures;  
23 Ascend Distribution LLC (California), Ethix Capital, ACV Nexus, Ascend  
24 Ecommerce Inc., Ascend Administration Inc., Ascend Ecom LLC, Ascend  
25 Distribution LLC (Texas), and their collective dbas, subsidiaries, and affiliates  
26 (collectively, the "Receivership Entities" or "Entities"), hereby submits this  
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1 *Supplement to Initial Report and Recommendations of Receiver* (the "Supplement")<sup>1</sup>  
2 in order to detail those critical tasks undertaken by the Receiver and his  
3 professionals since the submission of his September 23, 2024 *Initial Report and*  
4 *Recommendations of Receiver* (the "Initial Report") [ECF No. 34].

5 **I. NOTIFICATION OF RECEIVERSHIP AND RECOVERY OF**  
6 **RECEIVERSHIP-RELATED RECORDS AND INFORMATION.**

7 As of the date of this Supplement, directly and through counsel, the Receiver  
8 has notified dozens of banks, other financial institutions, payment processors,  
9 service providers, and other entities of the entry of the Initial Appointment Order  
10 and the pendency of the receivership, and requested the turnover of Entity account  
11 statements and other materials relevant to the business and financial activities of the  
12 Receivership Entities. These efforts are bearing fruit; a number of institutions have  
13 made initial productions, or committed to completing initial productions to the  
14 Receiver in the near term, of the requested documents and information. The  
15 Receiver has also received at least four (4) productions from defense counsel,  
16 although these productions have been limited in scope and utility and have not as yet  
17 included any complete Entity or accounting records. The Receiver has also  
18 endeavored to contact as many potentially affected consumers as possible, largely  
19 via engagement through his website, [www.fedreceiver.com](http://www.fedreceiver.com), and has already  
20 obtained critical information from certain consumers, including information  
21 suggesting that, in the wake of the entry of the Initial Appointment Orders, non-  
22 parties apparently affiliated with the Receivership Entities have endeavored to  
23 induce consumers into making additional payments (to new payment addresses  
24 distinct from those used by the Entities in the pre-receivership period) and falsely  
25 represented that the Entities are continuing to operate "business as usual".

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<sup>1</sup> This Supplement is preliminary and based upon limited information presently available to the Receiver. It, and any conclusions presented herein, are subject to change as additional information is obtained.

1 In addition to his direct engagement and dialogue with non-parties and  
2 interested consumers, the Receiver has also served over a dozen formal document  
3 subpoenas and document demands, with more to come, in an effort to recover as  
4 much information relevant to the business and financial activities of the  
5 Receivership Entities as possible in the near term. This information will be used for,  
6 among other things: (1) preparing an accounting; (2) evaluating the legitimacy of  
7 the Entities' operations and their viability as a going concern; (3) identifying  
8 recipients of receivership assets and potential designee Receivership Entities;  
9 (4) identifying consumers; (5) recovering available assets; and (6) developing  
10 prospective asset recovery claims, including prospective causes of action inuring to  
11 the benefit of the Estate under the authority of the Receiver.

12 **II. ACCOUNTING AND ASSET IDENTIFICATION AND RECOVERY.**

13 Since the submission of the Initial Report, the Receiver and his forensic  
14 accountant, SL Biggs, have diligently continued their efforts to review available  
15 materials and information, provided by the plaintiff Federal Trade Commission (the  
16 "FTC"), individual defendants Basta and Leung (through counsel), numerous bank  
17 and financial institutions, and allegedly defrauded consumers, among others,  
18 relating to the business and financial activities of the Receivership Entities. While  
19 these efforts were undertaken, in part, to enable the Receiver to evaluate the history  
20 and viability of the Receivership Entities as an enterprise, they also relate directly to  
21 the Receiver's efforts to recover funds for the benefit of the receivership estate  
22 created by this Court's September 13, 2024 *Order on Plaintiff's Ex Parte*  
23 *Application For (1) Temporary Restraining Order and Order to Show Cause Why a*  
24 *Preliminary Injunction Should Not Issue; (2) Waiver of Notice Requirement;*  
25 *(3) Appointment of a Temporary Receiver, Freezing of Assets; and other Equitable*  
26 *Relief* (the "Initial Appointment Order") [ECF No. 30] (the "Estate") and its  
27 creditors, including allegedly defrauded consumers.

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1 While, as discussed below, the Receiver has not yet obtained a copy of the  
2 Entities' books and records (critically including their QuickBooks records), as of the  
3 date of this Supplement, the Receiver and his forensic accountant have reviewed  
4 hundreds of documents, reflecting thousands of individual transactions. Based on  
5 this review, the Receiver has preliminarily confirmed that the Entities received  
6 many millions of dollars in apparent consumer funds, and that millions in consumer  
7 funds were, among other things: (1) commingled among various Entities,  
8 apparently without regard to corporate distinction or purpose; (2) transmitted to  
9 potential affiliates, including overseas, dissipating substantial sums to entities or  
10 individuals whose relationship to the Receivership Entities remains unclear at  
11 present; and (3) diverted potentially millions of dollars obtained from consumers for  
12 the apparent unilateral benefit of defendants Basta and Leung, including for the  
13 payment of personal expenses, personal taxes, and the purchase of luxury real  
14 properties in California. Put simply, the Receiver's accounting work to date has  
15 revealed a complicated network of apparently affiliated entities (some of whose  
16 relationship to the receivership remain unclear as of the filing of this Supplement)  
17 transferring funds obtained from consumers to and from one another, and  
18 occasionally diverting funds for purposes apparently unrelated to the purported  
19 operations of the Receivership Entities, including for the personal benefit of  
20 defendants Basta and Leung.

21 Unfortunately, this network is sufficiently expansive, and the volume and  
22 value of its pre-receivership transactions so significant, that, as of the date of this  
23 Supplement, and notwithstanding his having obtained relevant records and  
24 information, the Receiver has not yet recovered a substantial amount funds for the  
25 benefit of the Estate or its creditors. At present, the Receiver has identified fewer  
26 than \$500,000 in Receivership Entity funds subject to the immediate turnover  
27 provisions of the Initial Appointment Order, not including more than \$400,000 held  
28 by an entity designated as a Receivership Entity on October 1, 2024 (which funds

1 appear to have been transferred out of that entity's account sometime between  
2 September 1, 2024 and October 1, 2024, potentially in violation of the asset freeze  
3 imposed by the Initial Appointment Order) and another \$150,000 in liquid assets  
4 held by another entity designated as a Receivership Entity on October 15, 2024.

5       Accordingly, the Receiver and his accounting team will continue to review  
6 materials as they are received in order to identify additional potentially recoverable  
7 assets, or assets held by third parties which the Receiver believes are or should be  
8 subject to disgorgement for the benefit of the Estate. By way of example, the  
9 Receiver has preliminarily concluded that consumer funds were used for the  
10 purchase of a number of real properties located in Venice, California, title to which  
11 was taken in the names of defendants Basta and Leung.<sup>2</sup> Indeed, based on the  
12 information presently available to the Receiver, the Receiver believes that all or  
13 nearly all of the downpayments made on each of these properties were made from  
14 diverted consumer funds.<sup>3</sup> Assuming, *arguendo*, that this is indeed the case, the  
15 Receiver submits that any equity in those properties up to the amount of the  
16 consumer funds used for their purchase is a receivership asset subject to turnover to  
17 the Receiver. Based on the Receiver's present valuation, such equity may exceed  
18 \$1 million, in the aggregate.<sup>4</sup> In addition, as detailed elsewhere herein, pursuant to  
19 his authority under the Initial Appointment Order, the Receiver has recently  
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21 <sup>2</sup> The Receiver understands that, at his deposition in this matter, defendant Leung  
22 acknowledged that payments for real properties had come from accounts that the  
Receiver has confirmed contained funds derived from consumers.

23 <sup>3</sup> As a consequence, the Receiver has recorded *Notices of Pendency of*  
*Receivership* against each of the properties in issue.

24 <sup>4</sup> On October 7, 2024, as defendant Leung was providing deposition testimony to  
the FTC, the Receiver learned in real time that defendants Basta and Leung had  
25 concluded the sale of one of these properties – located at 2012 Linden Avenue,  
Venice, California 90291, title to which was held by defendants Basta and Leung  
26 in their personal capacities – on September 24, 2024, eleven (11) days after the  
entry of the Court-imposed asset freeze. The Receiver immediately contacted  
27 Granite Escrow & Settlement Services ("Granite"), the escrow company  
administering the sale, to advise of the asset freeze. Granite promptly confirmed  
28 that the sale had closed, but that the net proceeds of the sale had not been  
disbursed to defendants Basta and Leung. Granite further confirmed that the  
proceeds will be held pending a further disposition order of this Court.

1 designated a number of non-parties as Receivership Entities. In his view, any assets  
2 of these entities related to the present receivership should be treated as assets of the  
3 Estate.

4 **III. DESIGNATION OF NON-PARTIES AS RECEIVERSHIP ENTITIES.**

5 Section XII(U) of this Court's Initial Appointment Order authorizes the  
6 Receiver to designate non-party entities as additional Receivership Entities. As of  
7 the date of this Supplement, the Receiver has identified three non-party entities –  
8 Global Marketing Development, Inc.; Eaglemont Capital; and Paradyme Capital  
9 Inc. – as additional Receivership Entities. The Receiver's designation of these non-  
10 parties as Receivership Entities was based on, at least, his determination that each of  
11 the above entities was subject to the common control of individual defendants Basta  
12 or Leung, had commingled funds with the Receivership Entities, or was engaged in  
13 a common enterprise with the Receivership Entities. Notices of the Receiver's  
14 designations have been filed with this Court [see, e.g., ECF Nos. 45, 58, 59] and  
15 transmitted to the non-parties' principals or agents for service of process. In  
16 addition, the Receiver has notified banks and other financial institutions  
17 administering accounts held by, in the name of, or for the benefit of these entities of  
18 his designation, and his authority under the Initial Appointment Order.

19 **IV. EVALUATION OF THE RECEIVERSHIP ENTITIES' OPERATIONS.**

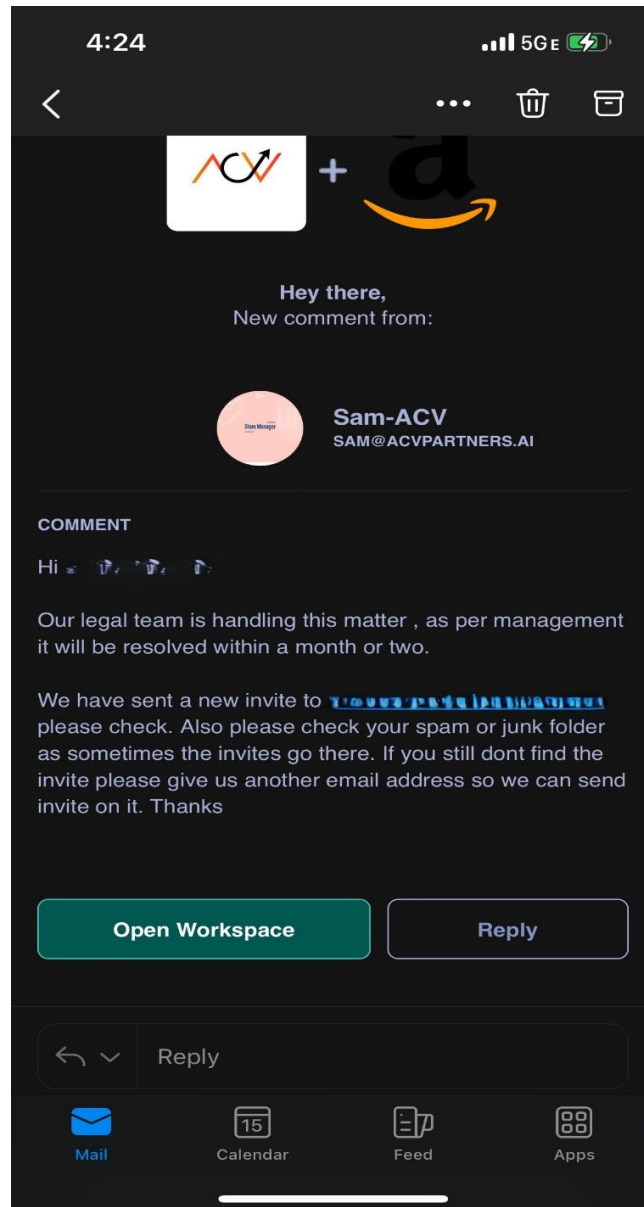
20 As of the date of this Supplement, and as noted above, the Receiver has not  
21 obtained a complete set of the Entities' books and records. The Receiver  
22 understands that defendants Basta and Leung have testified that they do not have  
23 access to such materials, which are allegedly maintained and exclusively accessible  
24 by a Mr. Ben Ralph, who has been alternatively identified as an employee or quasi-  
25 employee of the Entities, or their director of operations. The Receiver has  
26 transmitted notice of the receivership and a request for documents and information  
27 to Mr. Ralph, but has received no response. Other Entity personnel have similarly  
28 failed to respond to the Receiver's outreach efforts. As a consequence, the Receiver

1 is now, through counsel, working directly with Intuit, which maintains the Entities'  
2 QuickBooks ledger and associated records on its cloud server. The Receiver is  
3 optimistic that full access to these materials will be obtained within the next few  
4 weeks. Notwithstanding that a complete set of books and records have not yet been  
5 obtained, a number of factors of concern have already been identified by the  
6 Receiver, each of which suggests that the Entities' may not have been engaged in a  
7 legitimate enterprise. These factors include:

- 8 • Defendants Basta's and Leung's professed limited familiarity with the  
9 day-to-day operations of the Receivership Entities and their personnel;
- 10 • Defendants Basta's and Leung's professed lack of access to Entity  
11 books and records;
- 12 • The volume and value of transfers of consumer funds among the  
13 Entities, their apparent affiliates, and entities having no discernible  
14 relationship to the Entities' operations or business purpose;
- 15 • The use of funds diverted from consumers to pay personal expenses or  
16 to purchase real properties owned by defendants Basta and Leung, as  
17 individuals;
- 18 • The unresponsiveness of pre-receivership Entity employees to the  
19 Receiver's document or access requests; and
- 20 • Post-receivership communications to consumers from (apparently  
21 overseas) personnel allegedly affiliated with the Receivership Entities  
22 intended to induce consumers to make new or additional payments to  
23 payees not under the Receiver's control<sup>5</sup> or to provide false reassurance  
24 to consumers, without the Receiver's knowledge or permission,  
25 regarding the continued operations of the Entities, as evidenced by the  
26 below communication transmitted to an investor who challenged such a  
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28 <sup>5</sup> The Receiver has transmitted multiple cease and desist demands in connection with such efforts.

1 solicitation by referencing the receivership, and other substantially  
2 similar communications:



23 Put simply, as of the date of this Supplement, the Receiver has recovered no  
24 information sufficient to confirm, in his reasonable business judgement, that the  
25 Entities' operations reflect (or reflected) a legitimate and viable enterprise.  
26 Likewise, to-date, the Receiver has not identified any portion of the Receivership  
27 Entities' business that appears to be unrelated to the allegedly fraudulent activity  
28 alleged by the FTC. While it remains possible that a portion of the business may be



1 legitimate, the Receiver's preliminary conclusion remains that the proceeds from  
2 continuing to run any lawful aspect of the business, as compared to the cost of such  
3 operations under the supervision of the Receiver would likely be insufficient to  
4 justify such operations.

5 **V. RECOMMENDATION AND CONCLUSION.**

6 Based on the Receiver's efforts to-date, he believes, in his reasonable business  
7 judgment, that the continued pendency of the instant receivership may represent a  
8 successful mechanism for halting any improper business activities undertaken by the  
9 Entities and any affiliated personnel, and for recovering assets for the benefit of the  
10 Estate and its creditors, provided that sufficient assets can be located. Accordingly,  
11 and based on the information presented above, and in his Initial Report, the Receiver  
12 recommends that the Court authorize the Receiver to continue to perform his duties  
13 as established under the Appointment Order, and to submit an additional, First  
14 Interim Report, within sixty (60) days after the date of entry of the Initial  
15 Appointment Order, to address any progress made and conclusions reached by the  
16 Receiver, and to supplement his recommendations to the Court.

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18 Dated: October 18, 2024

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21 By:           /s/          Joshua A. del Castillo            
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