

Before the
COPYRIGHT ROYALTY JUDGES
The Library of Congress

In re

**DISTRIBUTION OF CABLE
ROYALTY FUNDS**

No. 19-CRB-0010-CD (2018)
No. 20-CRB-0010-CD (2019)
No. 21-CRB-0008-CD (2020)

**SETTLING DEVOTIONAL CLAIMANTS' OPPOSITION TO MULTIGROUP
CLAIMANTS' MOTIONS FOR PARTIAL DISTRIBUTION OF 2018-2020 CABLE
ROYALTIES**

The Settling Devotional Claimants (“SDC”) oppose the motions Multigroup Claimants (“MGC”) for Partial Distribution of 2018, 2019, and 2020 cable royalties, filed April 3, 2023. MGC’s new motions are nearly verbatim copies of the motions MGC filed on July 23, 2021 with respect to 2015-2017 royalties, and seek the same relief based on the same grounds. *See* MGC Motion for Partial Distribution of 2015-2017 Cable Royalties, Dkt. No. 16-CRB-0009-CD (2014-2017) (July 23, 2021).¹ The SDC oppose these new motions and object to partial distributions for the same reasons they opposed MGC’s 2015-17 motions. To avoid duplicative briefing, the SDC refer to and incorporate their previously-filed opposition to the 2015-17 motions. SDC Opposition to MGC’s Motions for Partial Distribution of 2015-2017 Cable and Satellite Royalty Funds, Dkt. Nos. 16-CRB-0009-CD & 16-CRB-0010-SD (2014-2017) (Aug. 6, 2021). For convenience, a copy of that opposition is attached.

Date: April 13, 2023

Respectfully submitted,

SETTLING DEVOTIONAL CLAIMANTS

¹ The only differences appear to be substituting references to the 2018-2020 proceedings, and a final section discussing the timing of partial distribution rulings. Neither is a new or independent reason to grant a partial distribution.

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Certificate of Service

I certify that on April 13, 2023, I caused the foregoing to be served on all parties by filing through the eCRB system.

/s/ Michael Warley

Michael Warley

Before the
COPYRIGHT ROYALTY JUDGES
The Library of Congress

<i>In re</i>	
DISTRIBUTION OF CABLE ROYALTY FUNDS	Docket No. 16-CRB-0009-CD (2014-2017)
DISTRIBUTION OF SATELLITE ROYALTY FUNDS	Docket No. 16-CRB-0010-SD (2014-2017)

**SETTLING DEVOTIONAL CLAIMANTS' OPPOSITION TO
MULTIGROUP CLAIMANTS' MOTIONS FOR PARTIAL
DISTRIBUTION OF 2015-2017 CABLE AND SATELLITE ROYALTY FUNDS**

The Settling Devotional Claimants (“SDC”) oppose the motions of Worldwide Subsidy Group LLC (“WSG”), aka Independent Producers Group (“IPG”), aka Multigroup Claimants’ (“MGC”) for partial distribution of portions of the 2015-2017 cable and satellite royalty funds. Because of the similarity of issues relating to similar motions filed by MGC in both the 2014-2017 consolidated cable and satellite proceedings, the SDC address both motions jointly in this opposition, which is filed simultaneously in both the cable and satellite dockets.

MGC seeks partial distributions of both cable and satellite royalty funds for the only years in these proceedings in which it has submitted any claims, for 2015, 2016, and 2017. It has not submitted any claims for 2014 for either cable or satellite funds. MGC proposes a partial distribution based on a series of averages relating to the 2010-2013 consolidated proceedings for cable and satellite royalty funds, proposing to first average the percentage of each fund that was allocated to the devotional category, and then to average the percentage of the devotional category awarded to MGC across the four years of the 2010-2013 proceedings, omitting 2014, for which it acknowledges that it will be entitled to 0% . With respect to the devotional category,

in the cable funds MGC seeks half of an average share percentage of 16.6%, and in the satellite funds, it seeks half of an average share percentage of 12.0%.

The Judges are authorized to order partial distributions, but only when “no claimant entitled to receive such fees has stated a reasonable objection to the partial distribution” and the claimants seeking the partial distribution “sign an agreement obligating them to return any excess amounts.” 17 U.S.C. § 111(d)(4)(C). The Judges have previously held that concerns regarding a party’s ability or willingness to disgorge any overpaid funds, as well as a lack of a track record as an established claimant from which a reasonable partial distribution amount can be determined, are reasonable objections justifying denial of a partial distribution. Order Denying IPG Motion for Partial Distribution, Dkts. 2008-2 CRB CD 2000-03, 2008-1-CRB CD 1998-99, 2012-6 CRB CD 2004-09, 2012-7 CRB SD 1999-2009 (Phase II), at 7 (Feb. 11, 2014) (“2014 Order”). Both concerns arise with respect to MGC’s motions.

I. MGC is Not an Established Claimant

Whatever MGC is, it is not an “established claimant” with a stable and successful record of success in copyright royalty distribution proceedings on behalf of the same copyright owners and programming over time. Today, MGC is simply a moniker used by WSG, which has also appeared in copyright royalty proceedings as IPG. As we now know, MGC was previously synonymous with an individual, Alfred Galaz, who was assigned IPG’s rights in the 2010-2013 proceedings in a presumed attempt “at least in part, to avoid the evidentiary burden that the Judges have placed on IPG in past proceedings by denying IPG claims a presumption of validity.” Ruling and Order Regarding Objections to Cable and Satellite Claims, Consol. Dkts. 14-CRB-0010-CD (2010-13), 14-CRB-0011-SD (2010-13), at 10 (Oct. 23, 2017). However, the Judges subsequently denied the presumption of validity to MGC as well, *id.* at 10-13, an indication of its lack of trustworthiness that is pertinent in considering whether it should be

entrusted with a partial distribution of funds that it may eventually be found not to be entitled to keep. More recently, MGC and WSG were both transferred to another member of the Galaz family, Ryan Galaz, and now MGC claims to be nothing more WSG's alter-ego and fictitious name. As a result, the past conduct of the WSG, including under the name IPG, is relevant to the consideration of whether it should now be entrusted with a partial distribution.

A. MGC's Potential Claims and Claimants are Neither Consistent nor Consistently Valid

MGC (under any of its various names) is not truly a claimant at all, and it cannot be considered an "established claimant." It is nothing more than a commercial entity that exists for the sole purpose of representing copyright royalty claimants. Unlike with a trade organization or stable and long-lasting collection of associated entities (like the Motion Picture Association or the Joint Sports Claimants), the Judges have previously ruled that they "have little confidence that IPG claimants and their compensable programming will remain stable over time." Order Granting in Part and Denying in Part IPG's Motion for Partial Distribution, Dkts. 2012-6 CRB CD 2004-09 (Phase II), 2012-7 CRB SD 1999-2009 (Phase II), at 10 (Sept. 26, 2016) ("2016 Order"). Because MGC acts in its representative capacity at the whim of its clients, long-term averages of prior awards do not justify an award to whichever claimants and programming MGC might ultimately be found to represent and claim on behalf of in the 2015-2017 royalty years.

This concern is exacerbated by the fact that claims filed by various WSG-related people and entities have repeatedly been found improper, disputed, or invalid. These rulings have resulted in a changing roster of claimants (to say nothing of the individual variation in claimed programming) from proceeding to proceeding and from year to year within multi-year consolidated proceedings. Even if MGC validly represented claims in one year for one claimant, it might not be found to have authority to represent the same claimant (or some of the

programming it claims on their behalf) in a subsequent year. The lack of consistency over the years makes any calculation of a partial distribution less likely to serve the purposes intended by the partial distribution scheme of advancing money to the probable rightful recipients early. The money could easily be going into the wrong hands, and there is no reliable mechanism to recoup royalties improperly disbursed by MGC to a claimant whose claims are later disallowed, especially if the individual claimants do not receive the disbursements directly and sign their own repayment agreements with the Licensing Division.

When the Judges awarded IPG a partial distribution in the 2004-2009 cable proceeding (only in the program suppliers category), they determined an appropriate percentage award by looking to the most recent prior year: finding that “the client-based figures from the most recent year in which IPG claimants received an allocation, *i.e.*, 0.23% for 2003, would most likely reflect IPG’s fluctuating client base during the period for which IPG requests a cable royalty allocation (*i.e.*, 2004-2009).” 2016 Order, at 10. But MGC here seeks a partial distribution for funds beginning in 2015. It did not (and will not) receive any award of funds in 2014, the immediately prior year to the requested partial distributions just like the 2003 award formed a basis for partial distributions in 2004-2009. Even looking to the most recent year in which MGC received a distribution award, its shares were much lower than the “averages” on which it seeks partial distributions now: only 10.9% (compared to a request based on 16.6%) of the cable devotional category in 2013 and 2.3% (compared to a request based on 12%) of the satellite devotional category in 2013. The potentially relevant past shares in the devotional category are summarized below:

Devotional Shares Awarded

Year	Cable Share	Satellite Share	Claimant
1999	28.7%	0.0%	IPG
2000	31.25%	0.0%	IPG
2001	31.25%	1.2%	IPG
2002	31.25%	1.5%	IPG
2003	31.25%	2.8%	IPG
2004	10.9%	1.2%	IPG
2005	10.8%	1.6%	IPG
2006	12.5%	8.8%	IPG
2007	7.6%	2.9%	IPG
2008	9.8%	0.0%	IPG
2009	10.0%	2.1%	IPG
2010	22.9%	24.7%	MGC
2011	17.4%	11.7%	MGC
2012	15.2%	9.3%	MGC
2013	10.9%	2.3%	MGC
2014	0.0%	0.0%	No claims
2015	16.6%	12.0%	*Requested estimate
2016	16.6%	12.0%	*Requested estimate
2017	16.6%	12.0%	*Requested estimate

Sources: Final Distribution Determination, Dkt. 2008-1 CRB CD 98-99 (Phase II), 80 Fed. Reg. 13,423, 13,444 (Mar. 13, 2015); Order Granting SDC Motion for Final Distribution, Dkt. 2008-2 CD 2000-03 (Phase II) (Remand), at 2 (Oct. 9, 2020); Final Distribution Determination, Dkt. 2012-6 CRB CD 2004-09 (Phase II), 2012-7 CRB SD 1999-2009 (Phase II), 84 Fed. Reg. 16,038, 16,039 (Apr. 17, 2019); Final Distribution Determination, Dkt. 14-CRB-0010-CD/SD (2010-13), 83 Fed. Reg. 38,326 (Aug. 6, 2018)

When granting a partial distribution in 2004-2009, the Judges did not rely on an average of the 2000-2003 awards, but only on the most recent (and smallest) award IPG had achieved in the immediately prior consolidated proceeding. IPG’s proposal to use an average across a consolidated proceeding where the awarded amounts fluctuated – even more than they did from 2000 to 2003¹ – is unreasonable and raises a serious risk of a substantial over-award of any partial distribution calculated as IPG requests.

¹ IPG’s program suppliers share ranged narrowly from 1.16% to 0.23% from 2000-03, a range which still prompted concern among the Judges about the shares’ ability to “remain stable over time.” 2016 Order, at 9-10.

This is more than just a concern about the size of a partial distribution, but a reason to deny such a distribution altogether when one of the major factors driving those variations is considered. The changes were not just the organic growth or deterioration in value of a stable set of programming, they also resulted from the changing composition of IPG’s claims as some claims were invalidated or accepted only in different years. Even in the most recent 2010-2013 proceeding – in which “MGC” (at the time, as a persona of Alfred Galaz) was eventually involved as a litigant and IPG’s successor-in-interest – the Judges concluded that “IPG filed multiple claims for the claims years covered by these proceedings without the authorization of the claimants.” Ruling and Order Regarding Objections to Cable and Satellite Claims, Consol. Dkts. 14-CRB-0010-CD (2010-13), 14-CRB-0011-SD (2010-13), at 10 (Oct. 23, 2017). In other words, this organization remains a purported representative of a “shifting, ad hoc group of diverse claimants, whose claims vary from year to year” and there “is no assurance that a group of claimants that IPG represented in one year will be the same group in a subsequent year.” 2016 Order, at 10. MGC even acknowledged as much in its Petitions to Participate in these proceedings, stating that “certain of the parties assigned rights to MC, or made independent claims, for less than the aggregate of 2015-2017 calendar years.” MGC Petition to Participate, Dkt. 16-CRB-0009-CD (2014-17), at 1 (Mar. 11, 2019); MGC Petition to Participate, Dkt. 16-CRB0010-SD (2014-17), at 1 (Mar. 11, 2019).

The exact problem has been, at times, unpredictable, but that various claims and claimants asserted by a WSG entity will be challenged, dropped, dismissed, or disallowed for some reason or another has been nearly the only consistent fact of life in copyright royalty proceedings for decades now. Its claims have been dismissed or abandoned after challenges, representation agreements have been terminated, programs have been improperly claimed,

authority to represent claimants has not been established, discovery sanctions imposed, the presumption of validity lost, and other improprieties have resulted in the disallowance of claims and claimants. *See, e.g.*, Distribution of 1993-97 Cable Royalty Funds, 66 Fed. Reg. 66433, 66434-66436 (Dec. 26, 2001) (dismissing claimants not properly represented and programs properly attributed to other claimants); Ruling and Order Regarding Claims, Dkt. 2008-1 CRB CD 98-99 (Phase II), at 17-22 (June 18, 2014) (dismissing claims for programs owned by an unrepresented entity or improperly claimed); Order on Validity of Claims, Dkt. 2008-2 CRB CD 2000-03 (Phase II), at 7-9 (Mar. 21, 2013) (certain devotional claims were not pursued in some years, and dismissed in others for lack of authorization to represent the claimants); Ruling on Validity and Categorization of Claims, Dkts. 2012-6 CRB CD 2004-09 (Phase II), 2012-7 CRB SD 1999-2009 (Phase II), at 9, 35-39 (March 13, 2015) (denying IPG presumption of validity and dismissing devotional claims either entirely or for specified years based on improper filing, lack of representation authority, discovery violations, and various other reasons); Ruling and Order Regarding Objections to Cable and Satellite Claims, Consol. Dkts. 14-CRB-0010-CD (2010-13), 14-CRB-0011-SD (2010-13), at 2-13 (Oct. 23, 2017) (denying MGC presumption of validity, dismissing various claims).

The point is not to rehash every past instance in which MGC acted without authority, but to demonstrate that there truly is no “track record of final distribution allocations” to a consistent set of claims and claimants represented by the same entity in order to justify a partial distribution, because MGC “lacks a stable client base for which it had received previous allocations.” 2014 Order, at 4-5. The Judges cannot reliably determine that the same constellation of claims and claimants represented by MGC in the 2010-13 proceedings will likely be the group of claims and claimants that it will represent in 2015, 2016, or 2017.

MGC is also a “new” claimant in three senses. First, it did not have authority to file any claims in 2014, and thus comes to the proceedings in 2015-2017 as a “new claimant.” *See* 2014 Order, 4. The Judges have previously held that having a “varying complement of claimant-claims” makes it harder to justify a partial distribution, 2014 Order at 5, and only relented with a partial distribution in the 2004-09 cable proceedings when they had “client-based figures from the most recent year” that could confidently be extrapolated to “most likely reflect IPG’s fluctuating client base during the [2004-09] period.” 2016 Order, at 10. The Judges cannot say the same thing for 2015-2017, because MGC has no claims in 2014. There is no assurance that MGC continued to have representative authority between 2013 and 2014 when it did not file any claims on behalf of any copyright owners for 2014. If all of its representation agreements expired, there is no reason to presume the exact same set of claimants would have returned to MGC. Alternatively, if MGC had authority but failed to file, then it breached its fiduciary duties as a “designated agent” under 17 U.S.C. § 111(d)(4)(B), costing those claimants the opportunity to receive valuable distributions and raising further questions as to MGC’s qualifications as an agent and likelihood of being able to maintain a steady client base. There is even less reason to presume MGC’s “fluctuating client base” would have remained stable following a year in which it failed to provide any benefit at all. Either way, MGC is in the same position that it was (under the name of IPG) was in when its requested partial distribution was denied in 2014 for the 2000-03 proceedings because it was a “new claimant” that was filing claims for the first time.

Second, the fact that Alfred Galaz (calling himself MGC) has previously participated in other royalty proceedings is of minimal import in evaluating MGC (now as an alter ego of Ryan Galaz’s company WSG). The exploits of Alfred Galaz are not an “established basis” from which to calculate a reliable partial royalty distribution amount to disburse starting in 2015 to Ryan

Galaz's version of MGC. When a party is "not yet an established claimant representative ... the Judges have no basis for allocating an appropriate partial distribution amount, even if they concluded that one were warranted." 2016 Order, at 10-11. Even if WSG's history were sufficient to justify a partial distribution, however, the last time WSG participated in copyright royalty distribution proceedings directly was for 2009 royalties, as any claims it filed after that as IPG were assigned to MGC – which was, during the 2010-13 proceedings, just Alfred Galaz and not yet assimilated as an alter ego of WSG as it is now. Thus, there is a five year gap since WSG (by a different name) actually participated fully in a distribution proceeding, and a one year gap since MGC (under different nominal ownership, but the same management) had any royalty claims. Neither track record is sufficient to justify partial distributions to the claimants it purports to represent when neither entity has ever successfully defended all of its claims in contested proceedings before, and there is no immediate past award for which a partial distribution for a similar set of clients can be extrapolated.

Finally, MGC's current owner, Ryan Galaz, is a newcomer to this proceeding, having never participated openly in a copyright royalty proceeding before, and with no apparent direct contacts with any of MGC's client base. Ryan Galaz is not an "established claimant," and his ability to maintain any stable base of "established claimants" is untested, at best.

II. There is Evidence That MGC Would be Unwilling or Unable to Disgorge any Overpayment

"[T]he inability or unwillingness of a party to disgorge an overpayment is a reasonable concern" that justifies a denial of a partial distribution. 2016 Order, at 9. The Judges have previously denied a partial distribution to IPG on the ground that its actions raised a "reasonable objection to IPG's request for a partial distribution," because IPG responded to questions about its inability to pay not by demonstrating that ability, but by proposing it *not* repay any

overpayments and instead have such overpayments be covered by funds from the royalty pools for other years. 2014 Order, at 6. Because the composition of its claimants shifted from year to year, the Judges found this proposal amounted to using funds that might be owed to one set of claimants to cover overpayments to another set of claimants – and refused to aid in such a “breach [of] its fiduciary duty to the claimants it represents.” 2014 Order, at 6.

The Judges have already found that “for years IPG filed claims on Bob Ross, Inc.’s behalf without authorization and never took steps to correct the public record.” Ruling and Order Regarding Objections to Cable and Satellite Claims, Consol. Dkts. 14-CRB-0010-CD (2010-13), 14-CRB-0011-SD (2010-13), at 11 n.24 (Oct. 23, 2017). MGC admitted that IPG had collected royalties for 2008 “in error” for Bob Ross, Inc., that Bob Ross, Inc. had demanded they be disgorged, and that the royalties had been collected through an arrangement with PBS. MGC Opposition to MPAA Motion for Disallowance of Claims, Consol. Dkts. 14-CRB-0010-CD (2010-13), 14-CRB-0011-SD (2010-13), at 31-32 (Oct. 31, 2016). In ruling on a partial distribution in 2016, the Judges chose not to consider this refusal to disgorge improperly disbursed funds (characterizing it at the time as a purely “contractual dispute”).²

Subsequent events make it clear that this is no longer simply a “contract dispute,” but a knowing refusal to return funds to the proper category representative despite an acknowledged error in the distribution of the category’s funds. The IPG/MGC entity is flatly unwilling to return royalties that should have been distributed to other claimants or categories. In particular, because the royalties at issue had been collected from PBS as part of a claim filed “in error” on

² In granting some partial distributions in 2016 to IPG, the Judges did not consider the arguments of the SDC relating to IPG’s inability to repay, expressly only considering (then rejecting) the argument from the MPAA that IPG’s disclosure of confidential information suggested it was unwilling to abide by a repayment agreement. 2016 Order, at 8-9. The Judges have not previously considered the argument presented herein that WSG’s documented trail of unsavory transactions and disputes relating to royalty distributions and representation renders it too unreliable and untrustworthy to receive a partial distribution of funds.

behalf of Bob Ross, Inc., PBS demanded that IPG disgorge the funds so they could be paid to the copyright owner. *See* SDC Further Briefing in Response to MGC’s Response to Order to Show Cause, Consol. Dkt. 14-CRB-0010-CD/SD (2010-13) (Mar. 16, 2020) at App’x p. 607 (Feb. 24, 2017 Letter from PBS to IPG). IPG has continued to refuse to correct the admitted mistake in distributing royalty funds from the non-commercial category back to PBS. *Id.* at App’x p. 616 (IPG Letter to PBS, Apr. 12, 2017). In the face of evidence of unwillingness to return funds to the proper claimant category representative, the Judges cannot assume that MGC would be willing to return such funds to their care if subsequent events required repayment.

In fact, in the Bob Ross dispute, there was direction from not only the Judges’ ruling, but also the copyright owner itself, the non-commercial category’s representative, and an acknowledgement of error on the part of IPG – but still no return of the funds. It would be folly to assume that only a demand from the Licensing Division would change the longstanding efforts of this entity to evade the return of funds – either by proposing accounting tricks in contravention of its fiduciary duties or by refusing rightful demands from the copyright owners and their representatives entitled to the funds. This failure is a specific example even more egregious than the hypothetical proposal to take funds from one claimant to cover shortfalls from another that warranted denial of a partial distribution in 2014, when the Judges found that “[n]othing in the record engenders confidence that IPG would disgorge funds, if a partial distribution were determined finally to have been inconsistent . . . a reasonable objection to IPG’s request for a partial distribution.” 2014 Order, at 6.

III. Concerns Regarding the Potential for Fraud or Abuse of a Partial Distribution Justify its Denial or the Imposition of Controls to Distribute Directly to Claimants

The Judges must be wary of making a partial distribution to a party that may be called to return funds that that Judges are required to distribute properly. For that reason, “the best way”

to avoid the need to recoup an overpaid partial distribution is to ensure “such a situation does not arise in the first instance.” Order Granting Allocation Phase Parties’ Motion for Partial Distribution of 2015 Satellite Royalties, Dkt. 17-CRB-0011-SD (2015), at 7 (Nov. 7, 2018). Until a final distribution is made, the Judges must trust the recipients of partial distributions with those funds to redistribute them to their proper recipients if the final analysis so requires. This is not a trivial concern, and the Judges have sometimes determined that recoupment is necessary. *See* Order Modifying Order Granting MGC’s Third Motion for Final Distribution of 2010-2013 Satellite Royalty Funds, Consol. Dkts. 14-CRB-0010-CD/SD (2010-13), 14-CRB-0011-SD (2010-13), at 2 (Feb. 4, 2021) (“The Licensing Division will also take steps to invoke the repayment agreements that bind the allocation phase parties in order to recover the overpayments that those parties have received ... with interest.”). The Judges must consider whether they can trust that, years from now, WSG/MGC would repay any partial distribution that it later finds to have been in error, with the appropriate amount of interest.

WSG and the individuals who have operated and worked for it over the years have repeatedly shown that such trust would be misplaced. It is hardly necessary to recount the instances of perjury, fraud, and criminal conduct of WSG’s founder, Raul Galaz, who continues to submit testimony on behalf of its entities in royalty proceedings. *See, e.g.*, Distribution of 2000-03 Cable Royalty Funds, Dkt. 2008-2 CRB CD 2000-03 (Phase II), 78 Fed. Reg. 64,984, 65,000 (Oct. 30, 2013). (Raul Galaz is, “to say the least,” an “imperfect messenger for WSG” who “admittedly lied in a cable distribution proceeding”). Raul Galaz is not the only problem, however. WSG as an entity has repeatedly been involved in disputes over the propriety of its purported authority to collect funds on behalf of copyright owners, and has repeatedly been found to lack that authority (such as the incident with Bob Ross, Inc. and PBS discussed above).

See Worldwide Subsidy Group, LLC v. Worldwide Pants Inc., No. CV 14-03682, 2017 WL 1969759 (C.D. Cal. Feb. 14, 2017), *aff'd* 729 F. App'x 625 (9th Cir. 2018) (finding WSG did not have authority to collect royalties for the David Letterman show, despite having claimed its programming before the Judges); *Worldwide Subsidy Group, LLC v. Federation International de Football Association*, No. CV 14-00013, 2018 WL 6169253 (C.D. Cal. July 24, 2018), *aff'd* 771 F. App'x 767 (9th Cir. 2019) (finding that WSG had no contract with FIFA to collect royalties on its behalf, despite having claimed FIFA programming before the Judges).

Even now, WSG and its current and former principals are alleged in multiple civil actions to have engaged in fraudulent conveyances for the purposes of avoiding debts, including fraudulent conveyances directly involving MGC. *See* Ex. 1, Adversary Complaint, *Soule v. Raul Galaz*, Adversary No. 21-01016-R (Bankr. N.D. Okla. May 27, 2021) (adversary action against Raul Galaz in *In re Alfredo Galaz and Lois May Galaz*, Case No. 19-11098-R (Bankr. N.D. Okla.), alleging that Raul Galaz was a recipient of fraudulent conveyances from Alfred Galaz, while Alfred Galaz was MGC); *See* Ex. 2, Adversary Complaint, *Soule v. Ryan Galaz*, Adversary No. 21-01017-R (Bankr. N.D. Okla. May 27, 2021) (adversary action against Raul Galaz in *In re Alfredo Galaz and Lois May Galaz*, Case No. 19-11098-R (Bankr. N.D. Okla.), alleging that Ryan Galaz was a recipient of fraudulent conveyances from WSG, while Alfred Galaz was its majority owner, and that Alfred Galaz's transfer of WSG and MGC to Ryan Galaz was a fraudulent conveyance); Ex. 3, United States of America's Application to Apply Funds Held in the Court Registry to the Defendant's Judgment, *United States v. Galaz*, No. SA-06-CR-331(1)-FB (W.D. Tex. Apr. 7, 2021) (alleging that WSG is an alter ego or nominee of Raul Galaz and that transfers of WSG constituted fraudulent conveyances, and seeking recovery of copyright royalties distributed to WSG to satisfy Raul Galaz's criminal restitution debts).

Notably, WSG’s former principals, Raul Galaz and Alfred Galaz, previously have been found to have engaged in fraudulent conveyances of royalty rights. See *Galaz v. Galaz*, 2015 Bankr. LEXIS 229, at *13 (Bankr. W.D. Tex. Jan. 23, 2015), aff’d in *Galaz v. Galaz*, 850 F.3d 800 (5th Cir. 2017) (“Alfredo [Galaz] was a mere straw man, while Raul [Galaz] had full knowledge of the fraudulent nature of his actions. The Court finds that Raul intended to defraud debtor by transferring the royalty rights to . . . an LLC purportedly owned by Alfredo, an insider – for no consideration”).

There is also evidence that WSG (which is now identical to MGC) has engaged in substantial transfers of assets to family businesses which were admittedly made without any consideration. See SDC Further Briefing in Response to MGC’s Response to Order to Show Cause, Consol. Dkt. 14-CRB-0010-CD/SD (2010-13) (Mar. 16, 2020) at App’x p. 698 (deposition testimony of Ryan Galaz stating that a condominium was transferred to his personal company and “[t]here was no money paid for that . . . Worldwide Subsidy Group just gave it to RTG”). Further, there is evidence in the bankruptcy filing of Alfred Galaz that, as of January 2018 when he transferred his ownership interest in it, WSG’s business had a \$0 fair market value. *Id.*, App’x at 114. If that was a false statement (as the SDC believe), then it is further evidence that the transfer to Ryan Galaz was fraudulent. If it was a true statement, then it would raise concerns about whether WSG would even be solvent enough to repay any needed portion of a partial distribution. It would mean that WSG/IPG had no assets just two years after the Judges had authorized a partial distribution conditioned on a repayment agreement for the 2004-09 cable royalties, although final distribution was not ordered in those proceedings until earlier in 2021. And that final distribution is expected to require the invocation of repayment agreements executed for partial distributions like the one IPG previously received. Order

Clarifying Calculation of Final Distribution Shares and Directing Final Distribution of Royalty Funds, Dkts. 2012-6 CRB CD 2004-09, 2012-7 CRB SD 1999-2009 (Phase II), at 3-4 (Jan. 11, 2021). WSG’s insolvency while its repayment agreements were still active, transfers of assets without consideration, and refusal to return funds to the proper claimants are all documented and significant concerns that would make any business wary of lending it funds with an expectation of repayment, and the Judges should not countenance making a long-term partial distribution that, just like a lender, it would reasonably never expect to be paid back.

IV. CONCLUSION

For the foregoing reasons, MGC’s request for a partial distribution should be denied, and any partial distribution should certainly not be based on the inflated “averages” proposed by MGC.

Date: August 6, 2021

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Counsel for Settling Devotional Claimants

Certificate of Service

I certify that on August 6, 2021, I caused the foregoing to be served on all parties by filing through the eCRB system.

/s/ Michael Warley
Michael Warley

Exhibit 1

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OKLAHOMA**

IN RE:

**ALFREDO CARLOS PAUL GALAZ,
LOIS MAY GALAZ**

Debtors.

**Case No. 19-11098-R
(Chapter 7)**

**STEVEN W. SOULÉ, TRUSTEE FOR THE
BANKRUPTCY ESTATE OF ALFREDO
CARLOS PAUL GALAZ AND LOIS MAY
GALAZ,**

Plaintiff,

v.

RAUL GALAZ,

Defendant.

Adversary No. _____

ADVERSARY COMPLAINT

Steven W. Soulé, Chapter 7 Trustee (the “Trustee”) for the Bankruptcy Estate of Alfredo Carlos Paul Galaz (“Al Galaz”) and Lois May Galaz (collectively, the “Debtors”), hereby files this Adversary Complaint against Defendant Raul Galaz (“Defendant”) pursuant to OKLA. STAT. tit. 24, §§ 116, 119 and 120, and 11 U.S.C. §§ 544 and 550 of the United States Bankruptcy Code (the “Bankruptcy Code”), and Federal Rule of Bankruptcy Procedure 7001, seeking the avoidance of a certain fraudulent transfer to the Defendant from the Debtors, and recovery of property held by the Defendant. In support of the allegations contained herein, the Trustee alleges and states as follows:

PARTIES, JURISDICTION AND VENUE

1. The Debtors filed the above-referenced bankruptcy case as a voluntary proceeding under Chapter 7 of the Bankruptcy Code on May 28, 2019 (the “Petition Date”). The Trustee was subsequently appointed to administer this Chapter 7 bankruptcy estate.

2. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) as an action brought in accordance with the provisions of 11 U.S.C. §§ 544 and 550.

3. This Court has jurisdiction over the parties and subject matter hereto pursuant to 28 U.S.C. § 1334.

4. Venue is proper pursuant to 28 U.S.C. § 1409.

5. Defendant Raul Galaz is an individual residing in Florida. Defendant is the son of Debtor Al Galaz.

GENERAL ALLEGATIONS

The Trustee realleges and incorporates by reference paragraphs 1 through 5 above and further alleges and states as follows:

6. Defendant is an “insider” of the Debtors within the meaning of Section 101(31) of the Bankruptcy Code as he is Al Galaz’s son.

7. Upon information and belief, in March of 2015, the Debtors made a transfer of funds identified as a personal loan to Defendant in the amount of \$150,000.00 (the “Transfer”). Upon information, the Debtors did not receive any consideration for the Transfer and have not received any payment thereon. The Debtors did not disclose the Transfer or the underlying indebtedness in their Statement of Financial Affairs or Amended Statement of Financial Affairs.

8. The Trustee had several communications with counsel for the Debtors and for Defendant explaining that the Transfer to Defendant was improper and asserting that the funds

transferred to Defendant should be property of the bankruptcy estate. To date, the Debtors and Defendant have denied the existence of the Transfer.

9. Upon information and belief, the Debtors intentionally concealed the Transfer to an insider with the actual intent to hinder, delay, or defraud their creditors.

10. The Trustee has attempted to resolve the issues without need for filing this complaint without success.

11. Debtor Al Galaz has previously been found to be a strawman for Defendant. *See Galaz v. Galaz (In re Galaz)*, 2010 WL 4702446 (Bankr. W.D. Tex. November 12, 2010).

COUNT I – FRAUDULENT TRANSFER
(11 U.S.C. § 544(b)(1) and OKLA. STAT. tit. 24, §§ 116(A)(1), 121)

The Trustee realleges and incorporates by reference paragraphs 1 through 11 above and further alleges and states as follows:

12. Pursuant to § 544(b)(1) of the Bankruptcy Code, a trustee may avoid a transfer of an interest of the debtor in property or any obligation incurred by the debtor that “is voidable under applicable law by a creditor holding an unsecured claim.”

13. Pursuant to § 116(A)(1) of the Oklahoma Uniform Fraudulent Transfer Act (the “OUFTA”), a transfer made or obligation incurred by a debtor is fraudulent as to a creditor, whether the creditor's claim arose before or after the transfer was made or the obligation was incurred, if the debtor made the transfer or incurred the obligation with actual intent to hinder, delay, or defraud any creditor of the debtor. *See* OKLA. STAT. tit. 24, § 116(A)(1).

14. In determining actual intent, the Court looks at various factors including, but not limited to, whether the transfer was to an insider and whether the transfer or obligation was disclosed or concealed. *See id.* § 116(B).

15. Pursuant to § 119(A)(1) of the OUFTA, a creditor may avoid a fraudulent transfer or obligation to the extent necessary to satisfy the creditor's claims. *See id.* § 119(A)(1).

16. Pursuant to § 113 of the OUFTA, a creditor is a person who has a claim. *See id.* § 113(4).

17. Pursuant to § 121(A) of the OUFTA, a cause of action for recovery of a fraudulent transfer must be brought within four (4) years after the transfer was made or the obligation incurred or, if later, within one (1) year after the transfer or obligation was or could have reasonably been discovered by the claimant. *See id.* § 121(A).

18. Pursuant to § 108(a) of the Bankruptcy Code, if applicable non-bankruptcy law fixes a period within which the debtor may commence an action, and such period has not expired before the date the petition is filed, the trustee may commence such action only before the later of either the end of the period fixed by non-bankruptcy law or two years after the order for relief. *See* 11 U.S.C. § 108(a).

19. Pursuant to § 301(b) of the Bankruptcy Code, the commencement of a voluntary case under a chapter of the Bankruptcy Code constitutes an order for relief under such chapter. *See id.* § 301(b).

20. Although the Debtors made the Transfer to Defendant more than four (4) years prior to the Petition Date, the Trustee was not aware of the Transfer until recently and could not have discovered the Transfer prior to the Petition Date. Accordingly, the period in which the Trustee, as claimant, could have brought an action against Defendant to avoid the fraudulent transfer had not expired before Petition Date.

21. The Debtors failed to disclose the Transfer on their Bankruptcy Schedules, Statement of Financial Affairs of Amended Schedules and Amended Statement of Financial

Affairs. Furthermore, the Defendant has repeatedly represented to the Trustee that the transfer did not take place, despite the Trustee's representations that he has been advised of a financial document evidencing the Transfer.

22. The Debtors' failure to disclose the Transfer and the continued denial of the existence of the Transfer by the Defendant, together with the fact that the Transfer was made to an insider, evidences the Debtors' actual intent to hinder, delay, or defraud the creditors of the Debtors.

23. Pursuant to § 544(b)(1) of the Bankruptcy Code and OKLA. STAT. tit. 24, §§ 116(A)(1), 121, the Trustee is entitled to avoid the Transfer to the Defendant as a fraudulent transfer.

COUNT II – RECOVERY OF PROPERTY OR THE VALUE OF THE PROPERTY
(11 U.S.C. § 550(A)(1)-(2))

The Trustee realleges and incorporates by reference paragraphs 1 through 23 above and further alleges and states as follows:

24. Pursuant to §550 of the Bankruptcy Code, to the extent a transfer is avoided under, *inter alia*, § 544 of the Bankruptcy Code, a trustee may recover, for the benefit of the estate, the property transferred, or if the court so orders, the value of such property from the initial transferee of such property or the entity for whose benefit such transfer was made, or from any immediate or mediate transferee of such initial transferee. *See* 11 U.S.C. § 550(a)(1)-(2).

25. The Transfer is avoidable under § 544(b)(1) of the Bankruptcy Code.

26. Pursuant to § 550(a)(1) of the Bankruptcy Code, the Trustee is entitled to recover the sum of \$150,000.00 from the Defendant.

COUNT III – TURNOVER OF PROPERTY TO THE ESTATE
(11 U.S.C. § 542(b))

The Trustee realleges and incorporates by reference paragraphs 1 through 26 above and further alleges and states as follows:

27. In the alternative, should the Court find that the Transfer was not a fraudulent transfer but rather was a true loan, upon information and belief, the Transfer constitutes a debt that is property of the estate and that is matured, payable on demand, or payable on order.

28. Pursuant to 11 U.S.C. § 542(b), Defendant is required to pay the debt in the amount of \$150,000.00 to the Trustee.

29. The Trustee reserves the right to amend this Complaint as discovery goes forward.

WHEREFORE, the Trustee respectfully requests that this Court enter judgment against Defendant Raul Galaz, as follows:

- (1) (a) finding that Debtors made the Transfer to the Defendant with the actual intent to hinder, delay, or defraud the creditors of the Debtors and is therefore avoidable pursuant to 11 U.S.C. § 544(b)(1) and OKLA. STAT. tit. 24, §§ 116(A)(1), 121; and
(b) ordering Defendant to return to the estate the sum of \$150,000.00, pursuant to 11 U.S.C. § 550(a)(1); or
- (2) (a) should the Court find that the Transfer was not a fraudulent transfer, finding that the debt owed by Defendant to the Debtors is matured, payable on demand, or payable on order; and
(b) ordering the Defendant to pay the debt in the amount of \$150,000.00 to the Trustee, pursuant to 11 U.S.C. § 542(b); and
- (3) for such other and further relief as this Court deems just and equitable.

Dated: May 27, 2021

Respectfully submitted,

**HALL, ESTILL, HARDWICK, GABLE,
GOLDEN & NELSON, P.C.**

s/ Steven W. Soulé

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**ATTORNEYS FOR STEVEN W. SOULÉ,
CHAPTER 7 TRUSTEE**

4896210.1:733625.20014

Exhibit 2

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OKLAHOMA**

IN RE:

**ALFREDO CARLOS PAUL GALAZ,
LOIS MAY GALAZ**

Debtors.

**Case No. 19-11098-R
(Chapter 7)**

**STEVEN W. SOULÉ, TRUSTEE FOR THE
BANKRUPTCY ESTATE OF ALFREDO
CARLOS PAUL GALAZ AND LOIS MAY
GALAZ,**

Plaintiff,

v.

RYAN GALAZ,

Defendant.

Adversary No. _____

ADVERSARY COMPLAINT

Steven W. Soulé, Chapter 7 Trustee (the “Trustee”) for the Bankruptcy Estate of Alfredo Carlos Paul Galaz (“Al Galaz”) and Lois May Galaz (collectively, the “Debtors”), hereby files this Adversary Complaint against Defendant Ryan Galaz (“Defendant”) pursuant to 11 U.S.C. §§ 544, 548 and 550 of the United States Bankruptcy Code (the “Bankruptcy Code”), and Federal Rule of Bankruptcy Procedure 7001, seeking the avoidance of certain fraudulent transfers to the Defendant from the Debtors, and recovery of property held by the Defendant. In support of the allegations contained herein, the Trustee alleges and states as follows:

PARTIES, JURISDICTION AND VENUE

1. The Debtors filed the above-referenced bankruptcy case as a voluntary proceeding under Chapter 7 of the Bankruptcy Code on May 28, 2019 (the “Petition Date”). The Trustee was subsequently appointed to administer this Chapter 7 bankruptcy estate.

2. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) as an action brought in accordance with the provisions of 11 U.S.C. §§ 548 and 550.

3. This Court has jurisdiction over the parties and subject matter hereto pursuant to 28 U.S.C. § 1334.

4. Venue is proper pursuant to 28 U.S.C. § 1409.

5. Defendant Ryan Galaz is an individual residing in Massachusetts. Ryan Galaz is the son of Raul Galaz and the grandson of Debtor Al Galaz.

GENERAL ALLEGATIONS

The Trustee realleges and incorporates by reference paragraphs 1 through 5 above and further alleges and states as follows:

6. Defendant, Ryan Galaz, is an “insider” of the Debtors within the meaning of § 101(31) of the Bankruptcy Code as he is Al Galaz’s grandson.

7. As disclosed in the Debtors’ Amended Statement of Financial Affairs, on December 31, 2017, within the two (2) year period preceding the Petition Date, Al Galaz transferred a 99% interest in Worldwide Subsidy Group, LLC, d/b/a Independent Producers Group (“WSG”) to Defendant (the “First Transfer”). As reflected in the Amended Statement of Financial Affairs, Al Galaz received no consideration for the First Transfer.

8. Upon information and belief, at the time of the First Transfer, Al Galaz's interest in WSG had significant value. On or about April 5, 2012, WSG purchased from Caren A. Rabbino a condominium with a legal description of:

Unit 6A, HELEN MAR CONDOMINIUM, according to the Declaration of Condominium thereof, as recorded in Official Records Book 13459, Page 2570, of the Public Records of Miami-Dade County, Florida

(the "Condominium").

9. On January 1, 2017, Al Galaz became a member of WSG when he received his 99% interest in the company from his daughter, Denise Vernon.¹

10. On January 27, 2017, WSG transferred the Condominium to RTG, LLC via quit claim deed.² The quit claim deed reflects that, at the time of this transfer, the Condominium was unencumbered and valued at \$362,066.00. It is unknown whether or not WSG received any value from RTG, LLC in exchange for the Condominium.

11. Upon information and belief, at the time of the First Transfer, WSG also had value based on the fact that it held significant funds in an account at Bank of America and other possible assets.

12. Upon information, the Debtors were either insolvent at the time of the First Transfer or became insolvent as a result of the First Transfer.

13. Additionally, as disclosed in the Debtors' Amended Statement of Financial Affairs, on January 1, 2018, within the two (2) year period preceding the Petition Date, Al Galaz transferred ownership of Multigroup Claimants ("MGC"), a sole proprietorship, to Defendant (the "Second

¹ The remaining 1% interest in WSG was owned by Ruth Galaz, Al's ex-wife and Raul Galaz's mother.

² RTG, LLC is owned and operated by Ryan Galaz.

Transfer”). As reflected in the Amended Statement of Financial Affairs, Al Galaz received no consideration for the Second Transfer.

14. Upon information and belief, at the time of the Second Transfer, MGC had value.

15. Upon information, the Debtors were either insolvent at the time of the Second Transfer or became insolvent as a result of the Second Transfer.

16. Additionally, as disclosed in the Debtors’ Amended Statement of Financial Affairs, on January 1, 2018, within the two (2) year period preceding the Petition Date, Al Galaz transferred ownership of Spanish Language Producers (“SLP”), a sole proprietorship, to Defendant (the “Third Transfer” and, together with the First Transfer and the Second Transfer, the “Transfers”). As reflected in the Amended Statement of Financial Affairs, Al Galaz received no consideration for the Third Transfer.

17. Upon information and belief, at the time of the Third Transfer, SLP had value.

18. Upon information, the Debtors were either insolvent at the time of the Third Transfer or became insolvent as a result of the Third Transfer.

19. The Trustee has attempted to resolve the issues without need for filing this complaint without success.

COUNT I – FRAUDULENT TRANSFER
(11 U.S.C. § 548(a)(1)(B))

The Trustee realleges and incorporates by reference paragraphs 1 through 19 above and further alleges and states as follows:

20. Pursuant to § 548 of the Bankruptcy Code, the Trustee may avoid a transfer of an interest of the Debtor in property or any obligation incurred by the Debtors that was made or incurred on or within two (2) years of the date of the Petition Date if the Debtors received less than

reasonably equivalent value in exchange for the transfer or obligation and was insolvent on the date the transfer was made or obligation incurred, or became insolvent as a result of such transfer or obligation. *See* 11 U.S.C. § 548(a)(1)(B).

21. Defendant made the First Transfer within two (2) years of the Petition Date.

22. The First Transfer is avoidable as a fraudulent transfer because the Debtors transferred the 99% interest in WSG to Defendant for less than reasonably equivalent value and the Debtors were insolvent at the time of the First Transfer or became insolvent as a result of the First Transfer.

23. The Trustee is entitled to avoid the First Transfer pursuant to 11 U.S.C. § 548(a)(1)(B).

COUNT II – FRAUDULENT TRANSFER
(11 U.S.C. §§ 544 (b)(1), 548(a) and OKLA. STAT. tit. 24, §§ 116(A)(1), 121)

The Trustee realleges and incorporates by reference paragraphs 1 through 23 above and further alleges and states as follows:

24. In the alternative, should the Court find that the First Transfer was not a fraudulent transfer under 11 U.S.C. § 548(a)(1)(B), the Trustee submits that the Debtors made the First Transfer with the actual intent to hinder, delay, or defraud the creditors of the Debtors, in violation of § 548(a) of the Bankruptcy Code and OKLA. STAT. tit. 24, § 116(A)(1).

25. Pursuant to § 548(a) of the Bankruptcy Code, a trustee may avoid a transfer of an interest of the debtor in property or any obligation incurred by the debtor that was made or incurred within 2 years before the date of the filing of the petition if the debtor voluntarily or involuntarily “made such transfer or incurred such obligation with actual intent to hinder, delay or defraud any

entity to which the debtor was or became, on or after the date that such transfer was made or such obligation was incurred, indebted.”

26. Pursuant to § 544(b)(1) of the Bankruptcy Code, a trustee may avoid a transfer of an interest of the debtor in property or any obligation incurred by the debtor that “is voidable under applicable law by a creditor holding an unsecured claim.”

27. Pursuant to § 116(A)(1) of the Oklahoma Uniform Fraudulent Transfer Act (the “OUFTA”), a transfer made or obligation incurred by a debtor is fraudulent as to a creditor, whether the creditor's claim arose before or after the transfer was made or the obligation was incurred, if the debtor made the transfer or incurred the obligation with actual intent to hinder, delay, or defraud any creditor of the debtor. *See* OKLA. STAT. tit. 24, § 116(A)(1).

28. In determining actual intent, the Court looks at various factors including, but not limited to, whether the transfer was to an insider and whether the value of consideration received by the debtor was reasonably equivalent to the value of the asset transferred or the amount of the obligation incurred. *See id.* § 116(B).

29. Pursuant to § 119(A)(1) of the OUFTA, a creditor may avoid a fraudulent transfer or obligation to the extent necessary to satisfy the creditor’s claims. *See id.* § 119(A)(1).

30. Pursuant to § 113 of the OUFTA, a creditor is a person who has a claim. *See id.* § 113(4).

31. Pursuant to § 121(A) of the OUFTA, a cause of action for recovery of a fraudulent transfer must be brought within four (4) years after the transfer was made or the obligation incurred or, if later, within one (1) year after the transfer or obligation was or could have reasonably been discovered by the claimant. *See id.* § 121(A).

32. Pursuant to § 108(a) of the Bankruptcy Code, if applicable non-bankruptcy law fixes a period within which the debtor may commence an action, and such period has not expired before the date the petition is filed, the trustee may commence such action only before the later of either the end of the period fixed by non-bankruptcy law or two years after the order for relief. *See* 11 U.S.C. § 108(a).

33. Pursuant to § 301(b) of the Bankruptcy Code, the commencement of a voluntary case under a chapter of the Bankruptcy Code constitutes an order for relief under such chapter. *See id.* § 301(b).

34. The Debtors made the First Transfer within two (2) years of the Petition Date. Furthermore, the Trustee could not have discovered the First Transfer prior to the Petition Date. Accordingly, the period in which the Trustee, as claimant, could have brought an action against Defendant to avoid the fraudulent transfer had not expired before Petition Date.

35. The Debtors' transfer to an insider for no consideration of their interest in a company which had value evidences the Debtors' actual intent to hinder, delay, or defraud the creditors of the Debtors.

36. Pursuant to § 544(b)(1) of the Bankruptcy Code and OKLA. STAT. tit. 24, §§ 116(A)(1), 121, the Trustee is entitled to avoid the First Transfer to the Defendant as a fraudulent transfer.

COUNT III – FRAUDULENT TRANSFER
(11 U.S.C. § 548(a)(1)(B))

The Trustee realleges and incorporates by reference paragraphs 1 through 36 above and further alleges and states as follows:

37. Defendant made the Second Transfer within two (2) years of the Petition Date.

38. The Second Transfer is avoidable as a fraudulent transfer because the Debtors transferred ownership of MGC to Defendant for less than reasonably equivalent value and the Debtors were insolvent at the time of the Second Transfer or became insolvent at the time of the Second Transfer.

39. The Trustee is entitled to avoid the Second Transfer pursuant to 11 U.S.C. § 548(a)(1)(B).

COUNT IV – FRAUDULENT TRANSFER
(11 U.S.C. §§ 544 (b)(1), 548(a) and OKLA. STAT. tit. 24, §§ 116(A)(1), 121)

The Trustee realleges and incorporates by reference paragraphs 1 through 39 above and further alleges and states as follows:

40. In the alternative, should the Court find that the Second Transfer was not a fraudulent transfer under 11 U.S.C. § 548(a)(1)(B), the Trustee submits that the Debtors made the Second Transfer with the actual intent to hinder, delay, or defraud the creditors of the Debtors, in violation of § 548(a) of the Bankruptcy Code and OKLA. STAT. tit. 24, § 116(A)(1).

41. The Debtors made the Second Transfer within two (2) years of the Petition Date. Furthermore, the Trustee could not have discovered the Second Transfer prior to the Petition Date. Accordingly, the period in which the Trustee, as claimant, could have brought an action against Defendant to avoid the fraudulent transfer had not expired before Petition Date.

42. The Debtors' transfer to an insider for no consideration of their ownership of a company which had value evidences the Debtors' actual intent to hinder, delay, or defraud the creditors of the Debtors.

43. Pursuant to § 544(b)(1) of the Bankruptcy Code and OKLA. STAT. tit. 24, §§ 116(A)(1), 121, the Trustee is entitled to avoid the Second Transfer to the Defendant as a fraudulent transfer.

COUNT V – FRAUDULENT TRANSFER
(11 U.S.C. § 548(a)(1)(B))

The Trustee realleges and incorporates by reference paragraphs 1 through 43 above and further alleges and states as follows:

44. Defendant made the Third Transfer within two (2) years of the Petition Date.

45. The Third Transfer is avoidable as a fraudulent transfer because the Debtors transferred ownership of SLP to Defendant for less than reasonably equivalent value and the Debtors were insolvent at the time of the Third Transfer or became insolvent as a result of the Third Transfer.

46. The Trustee is entitled to avoid the Third Transfer pursuant to 11 U.S.C. § 548(a)(1)(B).

COUNT VI – FRAUDULENT TRANSFER
(11 U.S.C. §§ 544 (b)(1), 548(a) and OKLA. STAT. tit. 24, §§ 116(A)(1), 121)

The Trustee realleges and incorporates by reference paragraphs 1 through 46 above and further alleges and states as follows:

47. In the alternative, should the Court find that the Third Transfer was not a fraudulent transfer under 11 U.S.C. § 548(a)(1)(B), the Trustee submits that the Debtors made the Third Transfer with the actual intent to hinder, delay, or defraud the creditors of the Debtors, in violation of § 548(a) of the Bankruptcy Code and OKLA. STAT. tit. 24, § 116(A)(1).

48. The Debtors made the Third Transfer within two (2) years of the Petition Date. Furthermore, the Trustee could not have discovered the Third Transfer prior to the Petition Date.

Accordingly, the period in which the Trustee, as claimant, could have brought an action against Defendant to avoid the fraudulent transfer had not expired before Petition Date.

49. The Debtors' transfer to an insider for no consideration of their ownership of a company which had value evidences the Debtors' actual intent to hinder, delay, or defraud the creditors of the Debtors.

50. Pursuant to § 544(b)(1) of the Bankruptcy Code and OKLA. STAT. tit. 24, §§ 116(A)(1), 121, the Trustee is entitled to avoid the Third Transfer to the Defendant as a fraudulent transfer.

COUNT VII – RECOVERY OF PROPERTY OR THE VALUE OF THE PROPERTY
(11 U.S.C. § 550(A)(1)-(2))

The Trustee realleges and incorporates by reference paragraphs 1 through 50 above and further alleges and states as follows:

51. Pursuant to § 550 of the Bankruptcy Code, to the extent a transfer is avoided under, *inter alia*, § 548 of the Bankruptcy Code, a trustee may recover, for the benefit of the estate, the property transferred, or if the court so orders, the value of such property from the initial transferee of such property or the entity for whose benefit such transfer was made, or from any immediate or mediate transferee of such initial transferee. *See* 11 U.S.C. § 550(a)(1)-(2).

52. The Transfers are avoidable under §§ 544 and 548 of the Bankruptcy Code.

53. Pursuant to § 550(a)(1) of the Bankruptcy Code, the Trustee is entitled to recover from Defendant: (i) the 99% interest in WSG; (ii) ownership of MGC; and (iii) ownership of SLP.

54. The Trustee reserves the right to amend this Complaint as discovery goes forward.

WHEREFORE, the Trustee respectfully requests that this Court enter judgment against Defendant Ryan Galaz, as follows:

- (1)
 - (a) finding that the Transfer of Al Galaz's 99% interest in WSG to Defendant within two (2) years of the Petition Date is an avoidable transfer, pursuant to 11 U.S.C. § 548(a)(1)(B);
 - (b) finding that the Transfer of the Al Galaz's ownership of MGC to Defendant within two (2) years of the Petition Date is an avoidable transfer, pursuant to 11 U.S.C. § 548(a)(1)(B);
 - (c) finding that the Transfer of the Al Galaz's ownership of SLP to Defendant within two (2) years of the Petition Date is an avoidable transfer, pursuant to 11 U.S.C. § 548(a)(1)(B);
 - (d) ordering Defendant Ryan Galaz to return to the estate the 99% interest in WSG, pursuant to 11 U.S.C. § 550(a)(1);
 - (e) ordering Defendant Ryan Galaz to return to the estate ownership of MGC, pursuant to 11 U.S.C. § 550(a)(1); and
 - (f) ordering Defendant Ryan Galaz to return to the estate ownership of SLP, pursuant to 11 U.S.C. § 550(a)(1); or
- (2) should the Court find that the Transfers were not fraudulent transfers under 11 U.S.C. § 548(a)(1)(B):
 - (a) finding that Debtors made the First Transfer to the Defendant with the actual intent to hinder, delay, or defraud the creditors of the Debtors and therefore same is avoidable pursuant to 11 U.S.C. § 544(b)(1) and OKLA. STAT. tit. 24, §§ 116(A)(1), 121;
 - (b) finding that Debtors made the Second Transfer to the Defendant with the actual intent to hinder, delay, or defraud the creditors of the Debtors and therefore same

is avoidable pursuant to 11 U.S.C. § 544(b)(1) and OKLA. STAT. tit. 24, §§ 116(A)(1), 121;

(c) finding that Debtors made the Third Transfer to the Defendant with the actual intent to hinder, delay, or defraud the creditors of the Debtors and therefore same is avoidable pursuant to 11 U.S.C. § 544(b)(1) and OKLA. STAT. tit. 24, §§ 116(A)(1), 121;

(d) ordering Defendant Ryan Galaz to return to the estate the 99% interest in WSG, pursuant to 11 U.S.C. § 550(a)(1);

(e) ordering Defendant Ryan Galaz to return to the estate ownership of MGC, pursuant to 11 U.S.C. § 550(a)(1);

(f) ordering Defendant Ryan Galaz to return to the estate ownership of SLP, pursuant to 11 U.S.C. § 550(a)(1); and

(3) for such other and further relief as this Court deems just.

Dated: May 27, 2021

Respectfully submitted,

**HALL, ESTILL, HARDWICK, GABLE,
GOLDEN & NELSON, P.C.**

s/ Steven W. Soulé

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**ATTORNEYS FOR STEVEN W. SOULÉ,
CHAPTER 7 TRUSTEE**

4896312.1:733625.20014

Exhibit 3

United States District Court
Western District of Texas
San Antonio Division

United States of America,
Plaintiff,

v.

Raul C. Galaz,
Defendant,

and

Worldwide Subsidy Group, LLC,
Third Party-in-Interest.

No. SA-06-CR-331(1)-FB

United States of America's Application to Apply Funds Held in the Court Registry to the Defendant's Judgment

The Court has directed that Worldwide Subsidy Group, LLC ("WSG") place \$250,000.00 into the IOLTA account of David "Clay" Snell, attorney for WSG. The United States alleges these funds should apply toward the Defendant's criminal judgment, and in support, submits the following:

Introduction

The Defendant originally formed WSG in 1999 during the criminal scheme underpinning his conviction. Post-conviction, WSG has been transferred among insiders of the Defendant, and is now owned by yet another insider, the Defendant's son, Ryan Galaz. However, these transfers have not affected how WSG operates, including who directs the company and who receives the benefits.

The United States alleges several related legal theories to support its contention that the money restrained by the court should apply to the Defendant's restitution: (1) WSG is the alter ego of the Defendant; (2) WSG is a nominee of the Defendant; (3) the Defendant fraudulently transferred WSG to an insider; (4) the United States' lien attached to the Defendant's ownership interest in

WSG, and that lien has accordingly remained against WSG throughout its many transfers, and still encumbers it today.

Finally, the United States anticipates that this relief will be contested, and to litigate the merits, it intends to conduct discovery pursuant to the Federal Debt Collection Procedures Act, 28 U.S.C. § 3001-3308. The United States needs time to conduct discovery, which shall be the subject of a separate scheduling order.

Parties

1. Plaintiff is the United States of America.
2. Defendant Raul C. Galaz was found guilty of a single count of mail fraud in violation of 18 U.S.C. § 1341 before the United States District Court for the District of Columbia for fraudulently claiming royalties belonging to companies he had not been retained to represent. The Defendant's case was subsequently transferred to this Court where he completed his supervised release. The Defendant was sentenced to 18 months of imprisonment and he was ordered to pay \$328,303.00 in restitution to a single victim, the Motion Picture Association of America (the "MPAA"). To date, \$218,002.39 remains outstanding on the Defendant's criminal restitution debt. Additionally, the Defendant owes \$4,000 for his fine, and \$88,631.07 in interest¹. The United States is also seeking \$31,063.35 under 28 U.S.C. § 3011.

3. Third Party-in-Interest is a limited liability company formed under the laws of the State of Texas.

Jurisdiction

4. Under 18 U.S.C. § 3613(a), the United States may enforce a criminal judgment according to the practices and procedures for enforcing civil judgments under federal and state law.

¹ The Defendant's interest rate is 1.55%.

5. The United States may use any federal or state procedure to enforce a criminal judgment. *See* 18 U.S.C. §§ 3613(a) and (f); 18 U.S.C. §§ 3664(m)(1)(A)(i) and (ii); and 28 U.S.C. § 3003(b)(2).

6. Collection efforts to enforce restitution are generally considered to be an ancillary or supplementary proceedings to the underlying case. *See* 28 U.S.C. §§ 3001(b), 3003(b), 3013.

Venue

7. Venue is proper as the Defendant's case was transferred to the Western District of Texas on November 22, 2005.

8. The Defendant was supervised by the Western District of Texas until May 2007, and the United States has previously instituted collection actions in this case involving the Defendant and WSG.

Background

9. From 1995 to 2001, the Defendant (an attorney until he resigned from the California State Bar two weeks after his conviction) devised a scheme to defraud the MPAA by creating false aliases and fictitious business entities, which he used to falsely claim cable and satellite system retransmission royalties.

10. During this time frame, the Defendant created two separate companies: (1) Artist Collections Group, LLC, ("ACG") a California company, in March 1998; and (2) WSG, in August 1999. ACG conducted business under the name Worldwide Subsidy Group. Both ACG and WSG collected cable and satellite copyright retransmission royalties and other secondary royalty rights throughout the world.

11. ACG was an instrumentality of the Defendant's fraud, as proceeds from the fraud were deposited into ACG's account.

12. The original members of WSG were the Defendant and Marian Oshita, the Defendant's paralegal.

13. In the summer of 2001, the FBI began questioning the Defendant about his illegal ventures.

14. On May 2, 2002, the Defendant and Lisa Katona Fodera divorced and she was awarded a portion of WSG via a divorce decree.

15. On May 14, 2002, the Defendant transferred all of his interest (37.5%) of WSG to Marian Oshita for \$50,000.²

16. On May 30, 2002, a criminal information was filed charging the Defendant with mail fraud.

17. The Defendant pled guilty on June 20, 2002.

18. The Defendant was sentenced on November 15, 2002.

19. In 2005, Denise Vernon, the Defendant's sister, obtained a 37.5% interest in WSG from Lisa Katona Fodera.

20. At some point in 2011, Denise Vernon transferred a portion of her interest in WSG to Ruth Galaz, the Defendant's mother.

21. On November 21, 2011, Lisa Katona Fodera sold her remaining 37.5% interest in WSG to Denise Vernon for a large sum of money.

22. On January 1, 2017, Denise Vernon transferred all of her interest in WSG to Alfred Galaz, father of the Defendant.

² This eventually led to a lawsuit in which Lisa Katona Fodera sued Mirian Oshita on behalf of the Defendant, claiming fraud on the original sale. In that case, the Court agreed that the 37.5% interest Oshita bought from the Defendant was not for valid consideration, and the 37.5% interest was returned to Fodera.

23. On December 31, 2017, Alfred Galaz and Ruth Galaz transferred their interests to Ryan Galaz for no consideration.

24. At all times, the Defendant has operated WSG.

25. WSG has failed to follow corporate formalities in its dealings with the Defendant.

26. WSG and the Defendant's financial affairs are commingled.

27. WSG has been used for the benefit of the Defendant.

28. The Defendant has exercised control over WSG.

29. The Defendant was released from BOP on May 28, 2004, and since that date, WSG has been his main source of income.

30. None of the members or owners of WSG have the knowledge, skill, or ability to run WSG without the Defendant.

First Claim – Reverse Veil Piercing, Alter Ego

31. The United States incorporates by reference the allegations contained in paragraphs 1 through 30 of this Application.

32. To establish reverse veil piercing and determine that a corporation is the alter ego of an individual, the Trustee must show:

- (a) that the individual has a de facto ownership in the corporation;
- (b) that the corporation was organized and operated as a mere tool or business conduit for the individual, considering the total dealings of the corporation and the individual, including the degree to which corporate formalities have been followed and corporate and individual property have been kept separately, the amount of financial interest, ownership and control the individual maintains over the corporation, and whether the corporation has been used for personal purposes; and,
- (c) whether applying reverse veil piercing would prejudice non-culpable shareholders or other stakeholders.

Second Claim – Nominee

33. The United States incorporates by reference the allegations contained in paragraphs 1 through 30 of this Application.

34. A nominee theory involves the determination of the true beneficial owner of property. To prove a nominee theory, the United States shall demonstrate the following:

- (a) No consideration or inadequate consideration paid by the nominee;
- (b) Property placed in the name of the nominee in anticipation of a suit or occurrence of liabilities while the transferor continues to exercise control over the property;
- (c) Close relationship between transferor and nominee including a co-mingling of affairs;
- (d) Failure to record conveyance;
- (e) Retention of possession by the transferor;
- (f) Continued enjoyment by the transferor of benefits of the transferred property; and,
- (g) Whether the individual is in a position of control or authority over the nominee.

35. WSG was transferred by the Defendant to Lisa Fodera Katona for inadequate consideration at a time when the Defendant knew he owed restitution.

36. The Defendant and Lisa Fodera Katona are former spouses. The current nominee of WSG is Ryan Galaz, Defendant's son.

37. The Defendant continues to enjoy the benefit of owning WSG. WSG is the personal bank account for the Defendant, and he exercises control WSG's finances.

38. After the transfer, the Defendant continued to utilize WSG's assets and the company was operated for his benefit.

Third Claim – Fraudulent Transfer (28 U.S.C. § 3304(a))

39. The United States incorporates by reference the allegations contained in paragraphs 1 through 30 of this Application.

40. At the time the equity interest in WSG was transferred, the Defendant was indebted or soon to be indebted to the United States.

41. The Defendant did not receive reasonably equivalent value for the transfer of WSG.

42. The transfer of the equity interest in WSG to Lisa Fodera Katona, an insider, was a fraudulent transfer. Given the Defendant's substantial restitution obligation, both the Defendant and Lisa Fodera Katona had reasonable cause to believe that the Defendant was insolvent at the time of the transfer.

Fourth Claim – Fraudulent Transfer (28 U.S.C. § 3304(b)(1)(A))

43. The United States incorporates by reference the allegations contained in paragraphs 1 through 30 of this Application.

44. The Defendant transferred the equity interest in WSG with the actual intent to defraud his creditors, including the United States.

45. The transfer was made to an insider, Lisa Fodera Katona. As a result of the transfer, the Defendant became increasingly insolvent.

46. The Defendant was aware at the time that he owed a substantial restitution judgment to the United States to recompense the MPAA for his criminal acts.

47. The Defendant did not disclose the transfer of WSG to the United States.

48. There was no reasonably equivalent exchange of consideration in exchange for the transfer of the equity interest in WSG.

Fifth Claim – Fraudulent Transfer (28 U.S.C. § 3304(b)(1)(B))

49. The United States incorporates by reference the allegations contained in paragraphs 1 through 30 of this Application.

50. The transfer of the equity interest in WSG was made without reasonably equivalent value to the Defendant.

51. At the time of the transfer, the Defendant did not have sufficient assets to pay his restitution obligation and was thus insolvent.

Sixth Claim – Fraudulent Transfer (State Law)

52. The transfers of WSG were void pursuant to Tex. Bus. Com. Cod. Ann. § 24.005(a), which provides as follows:

(a) A transfer made or obligation incurred by a debtor is fraudulent as to a creditor, whether the creditor's claim arose before or within a reasonable time after the transfer was made or the obligation was incurred, if the debtor made the transfer or incurred the obligation:

(1) with actual intent to hinder, delay, or defraud any creditor of the debtor; or

(2) without receiving a reasonably equivalent value in exchange for the transfer or obligation, and the debtor:

(A) was engaged or was about to engage in a business or transaction for which the remaining assets of the debtor were unreasonably small in relation to the business or transaction; or:

(B) intended to incur, or believed or reasonably should have believed that the debtor would incur debts beyond the debtor's ability to pay as they became due.

Seventh Claim – Fraudulent Transfer (State Law)

53. The transfers of WSG were void pursuant to Tex. Bus. Com. Cod. Ann. § 24.006(a), which provides as follows:

A transfer made or obligation incurred by a debtor is fraudulent as to a creditor whose claim arose before the transfer was made or the obligation was incurred if the debtor made the transfer or incurred the obligation without receiving a reasonably equivalent value in exchange for the transfer or obligation and the debtor was insolvent at that time or the debtor became insolvent as a result of the transfer or obligation.

Eighth Claim – Lien Encumbers Equity Interest

54. At the time of the original transfer of the equity interest in WSG, the United States held a lien against the Defendant’s property and rights to property, and by virtue of that, upon his interest in WSG. *See Rice Investment Co. v. United States*, 625 F.2d 565, 568 (5th Cir. 1980).

55. A subsequent transfer of the property did not affect the lien, because no matter into whose hands the property goes, the property passes with the lien attached. *United States v. Bess*, 357 U.S. 51, 57 (1958).

56. Thus, WSG is subject to the lien of the United States.

Prayer for Relief

WHEREFORE, the United States respectfully requests that this Court order that the \$250,000 in the registry of the Court be applied to the Defendant’s restitution debt, and for such other and further relief as is just and appropriate.

Respectfully submitted,

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UNITED STATES ATTORNEY

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ATTORNEYS FOR UNITED STATES

Certificate of Service

I certify that on April 7, 2021, I electronically filed this document with the Clerk of Court using the CM/ECF system.

- The CM/ECF system will send notification to the following CM/ECF participant(s):

David "Clay" Snell
Bayne, Snell & Krause
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Attorney for Third Party-in-Interest

- I also certify that I have mailed this document by United States Postal Service to the following non-CM/ECF participant(s):

Raul C. Galaz
7600 NE Palm Way
Boca Raton, Florida 33487
Defendant

/s/ Todd R. Keagle

TODD R. KEAGLE

Assistant United States Attorney

Proof of Delivery

I hereby certify that on Friday, August 06, 2021, I provided a true and correct copy of the SDC Opposition to MGC Motion for Partial Distribution of 2014-17 Royalties to the following:

Program Suppliers, represented by Lucy H Plovnick, served via ESERVICE at lhp@msk.com

Broadcast Music, Inc. (BMI), represented by Jennifer T. Criss, served via ESERVICE at jennifer.criss@dbr.com

Commercial Television Claimants / National Association of Broadcasters, represented by David J Ervin, served via ESERVICE at dervin@crowell.com

Canadian Claimants, represented by Lawrence K Satterfield, served via ESERVICE at lksatterfield@satterfield-pllc.com

Multigroup Claimants, represented by Brian D Boydston, served via ESERVICE at brianb@ix.netcom.com

Joint Sports Claimants, represented by Michael E Kientzle, served via ESERVICE at michael.kientzle@arnoldporter.com

Major League Soccer, L.L.C., represented by Edward S. Hammerman, served via ESERVICE at ted@copyrighroyalties.com

ASCAP, represented by Sam Mosenkis, served via ESERVICE at smosenkis@ascap.com

National Public Radio, represented by Amanda Huetinck, served via ESERVICE at ahuetinck@npr.org

Public Television Claimants, represented by Ronald G. Dove Jr., served via ESERVICE at rdove@cov.com

SESAC Performing Rights, LLC, represented by John C. Beiter, served via ESERVICE at john@beiterlaw.com

Global Music Rights, LLC, represented by Scott A Zebrak, served via ESERVICE at

scott@oandzlaw.com

Signed: /s/ Michael A Warley

Proof of Delivery

I hereby certify that on Thursday, April 13, 2023, I provided a true and correct copy of the SDC Opposition to MGC Motion for Partial Distribution of 2018-20 Cable Royalties to the following:

Multigroup Claimants, represented by Brian D Boydston, served via E-Service at brianb@ix.netcom.com

Signed: /s/ Michael A Warley